



# New Century Real Estate Investment Trust

## 開元產業投資信託基金

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock code: 1275)



INTERIM REPORT  
**2017**

NEW CENTURY  
GRAND HOTEL HANGZHOU  
杭州開元名都大酒店

NEW CENTURY  
GRAND HOTEL NINGBO  
寧波開元名都大酒店

NEW CENTURY  
GRAND HOTEL CHANGCHUN  
長春開元名都大酒店

HOLIDAY INN EINDHOVEN  
荷蘭開元假日酒店 • 埃因霍溫



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## NEW CENTURY REAL ESTATE INVESTMENT TRUST

The unaudited condensed consolidated financial statements of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (the “**Group**”) for the six months ended 30 June 2017 (the “**Reporting Period**”), having been reviewed by the audit committee (the “**Audit Committee**”) and disclosures committee (the “**Disclosures Committee**”) of New Century Asset Management Limited (the “**REIT Manager**”) were approved by the board of directors of the REIT Manager (the “**Board**”) on 23 August 2017.

## LONG-TERM OBJECTIVES AND STRATEGY

The REIT Manager continues its strategy of investing on a long-term basis in a diversified portfolio of income-producing real estate globally, with the aim of delivering regular and stable high distributions to the holders of the units (the “**Units(s)**”) of New Century REIT (the “**Unitholders**”) and achieving long-term growth in distributions and portfolio valuation while maintaining an appropriate capital structure.

Being the largest domestic, private-sector, star-rated hotel management group in China with 251 star-rated hotels in operations or under development, New Century Hotel Group Limited and its subsidiaries (“**New Century Group**”) are currently the sole sponsor of New Century REIT. In terms of the number of hotel guest rooms in operation, New Century Group was ranked 27th among all hotel groups in the world in 2016, as published by Hotels Magazine in July 2017.

As at 30 June 2017, New Century REIT’s portfolio comprised five 5-star hotels and two 4-star hotels, namely, New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村), New Century Grand Hotel Ningbo (寧波開元名都大酒店), New Century Grand Hotel Changchun (長春開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), (collectively, the “**Initial Hotel Properties**”), New Century Grand Hotel Kaifeng (開封開元名都大酒店) (“**Kaifeng Hotel**”), and the Holiday Inn Eindhoven (荷蘭開元假日酒店－埃因霍溫) (the “**Netherlands Hotel**”), (together the “**Hotel Properties**”). Of the Hotel Properties, six are located in China (the “**PRC Hotels**”) and one in the Netherlands, and altogether they have an aggregate of 2,584 rooms and 386,277 square meters (“**sq.m.**”) in total gross floor area (“**GFA**”). The majority of the hotels within our portfolio were rated within the top 3.0% best hotels in their respective cities by TripAdvisor.com as of 17 July 2017.

On 1 June 2017 (the “**Disposal Date**”), New Century REIT (through its wholly-owned subsidiary, Full Wise Industrial Limited (“**Full Wise HK**”) transferred the entire registered capital of Lishui Full Wise Hotel Management Limited (the “**Target Company**”) to Hangzhou Industrial & Commercial Trust Co., Ltd. (杭州工商信託股份有限公司). The disposal of the Target Company was completed on 12 July 2017. Immediately prior to the disposal of the Target Company, the Target Company held the entire registered capital of Shanghai Songjiang Hui Wei Asset Management Limited, which in turn holds the Songjiang New Century Grand Hotel Shanghai (上海松江開元名都大酒店) (the “**Shanghai Hotel**”) (together with the Target Company, the “**Disposal Group**”). After the Disposal Date, New Century REIT ceased to hold any interest in the Disposed Group, including the Shanghai Hotel. The consideration of the disposal was about RMB877.3 million. As a result of the disposal of the Target Company, the gearing ratio of New Century REIT fell from 43.7% as at 31 December 2016 to 40.9% as at 30 June 2017. As at the date of this report, the gearing ratio of New Century REIT has fallen further to approximately 39% after the repayment of certain loans in July 2017.

# FINANCIAL HIGHLIGHTS

## REPORT OF THE REIT MANAGER

### KEY FINANCIAL FIGURES FOR THE REPORTING PERIOD

(expressed in thousands of Renminbi (“RMB”) unless otherwise specified)

	For the six months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2016 (unaudited)	Percentage Increase/ (Decrease)
<b>Total revenue</b>	<b>157,656</b>	157,255	0.3%
<b>Profit attributable to Unitholders</b>	<b>46,803</b>	1,081	4,229.6%
<b>Distributable income for the period</b>	<b>51,768</b>	77,757	(33.4)%
Interim distribution	<b>46,591</b>	77,757	(40.1)%
Special distribution	<b>33,000</b>	–	n/a
	<b>79,591</b>	77,757	2.4%
Payout ratio <sup>1</sup>	<b>90%</b>	100%	(10.0)%
<b>Per Unit Figures</b>			
Distribution per Unit (“DPU”)			
DPU (RMB) <sup>2</sup>	<b>0.0830</b>	0.0823	0.9%
DPU (HK\$) <sup>2 &amp; 3</sup>	<b>0.0973</b>	0.0961	1.2%

	As at 30 June 2017	As at 31 December 2016	Percentage/ Increase (Decrease)
Net assets attributable to Unitholders per unit (“NAV per Unit”) (RMB) <sup>4</sup>	<b>2.4612</b>	2.4925	(1.3)%
Adjusted NAV per Unit (RMB) <sup>5</sup>	<b>3.3671</b>	3.5195	(4.3)%
Adjusted NAV per Unit (HK\$) <sup>3&amp;5</sup>	<b>3.8794</b>	3.9346	(1.4)%
<b>Ratio</b>			
Gearing ratio <sup>6</sup>	<b>40.9%</b>	43.7%	(2.8)%

# FINANCIAL HIGHLIGHTS

## Notes:

1. Starting from the second half of 2016, payout ratio has been reduced from 100% to 90%.
2. The DPU of RMB0.0830 for the Reporting Period is calculated by dividing the total distribution of RMB79,591,000 for the Reporting Period by the 958,500,829 Units in issue as at 30 June 2017.

The DPU of RMB0.0823 for the six months ended 30 June 2016 is calculated by dividing the total distribution of RMB77,757,000 for the six months ended 30 June 2016 by the 945,215,252 Units in issue as at 30 June 2016 after taking into account the 70,000 Units repurchased in June 2016 and cancelled in July 2016.

3. Unless indicated otherwise, amounts specified in Hong Kong dollars ("**HK\$**") are based on an exchange rate of HK\$1=RMB0.8679 as at 30 June 2017 (as at 31 December 2016: HK\$ = RMB0.8945 and 30 June 2016: HK\$1=RMB0.8547) while amounts specified in United States dollars ("**USD**") are based on the exchange rate of US\$1=RMB6.7744 as at 30 June 2017 (as at 31 December 2016: US\$1 = RMB6.9370 and 30 June 2016: US\$1= RMB6.6312).

Distribution payable to Unitholders is paid in Hong Kong dollar. The exchange rate adopted by the REIT Manager for the total distribution of the Reporting Period is HK\$1=RMB0.8527 (2016: HK\$1= RMB0.8567), which is the average closing exchange rate as announced by the People's Bank of China for the five business days preceding the date of declaration of distribution.

4. NAV per Unit as at 30 June 2017 of RMB2.4612 (as at 31 December 2016: RMB2.4925) is calculated by dividing net assets attributable to Unitholders of RMB2,359,088,000 (as at 31 December 2016: RMB2,371,097,000) by the number of Units in issue as at 30 June 2017 of 958,500,829 (as at 31 December 2016: 951,301,342).
5. Adjusted NAV per Unit as at 30 June 2017 of RMB3.3671 (as at 31 December 2016: RMB3.5195) is calculated by dividing adjusted net assets attributable to Unitholders, after excluding deferred tax liabilities which is mainly related to investment properties of RMB3,227,399,000 (as at 31 December 2016: RMB3,348,120,000) by the number of Units in issue as at 30 June 2017 of 958,500,829 (as at 31 December 2016: 951,301,342).
6. Gearing ratio is calculated based on the total of gross borrowings excluding transaction costs and loan from a related party over total assets as at the end of the Reporting Period.

# CHAIRMAN'S STATEMENT

## Dear Unitholders,

On behalf of the Board, I am pleased to present the interim results of the Group for the Reporting Period.

The revenue of New Century REIT and its DPU for the Reporting Period in RMB increased by 0.3% and 0.9% year-on-year ("**YoY**") respectively. A special distribution amounting to RMB33 million was declared to offset the impact from new policies to pay REIT Manager's fees in cash, to reduce official dividend payment ratio to 90% and to repatriate onshore profit for offshore dividend payment by paying China withholding tax. As a result, the total distribution per Unit of New Century REIT for the Reporting Period was RMB0.0830 or equivalent to HK\$0.0973, representing an annualized distribution yield of 8.0% based on the closing unit price of HK\$2.43 on 30 June 2017.

Being a key beneficiary of the strong increase in domestic travel, we have observed stable YoY increase in occupancy and revenue per available room ("**RevPAR**") in our PRC Hotels which brought about the steady growth of the PRC Hotels. The Netherlands Hotel also demonstrated strong 3.2 percentage points and 8.1% YoY increases in occupancy and RevPAR, respectively. Overall, occupancy increased by 5.4 percentage points YoY, resulting in an 11.6% increase in RevPAR.

According to the International Monetary Fund ("**IMF**"), global economic growth is projected to increase from an estimated 3.2% in 2016 to 3.5% in 2017 and 3.6% in 2018. Economic activity is projected to pick up in emerging market and developing economies. Growth in China is projected at 6.7% in 2017, slowing to 6.4% in 2018. The IMF's forecast for 2017 was revised upwards by 0.1 percentage point, reflecting the stronger than expected outturn in the first quarter of the year underpinned by previous policy easing and supply-side reforms. In fact, gross domestic product ("**GDP**") growth in China remained strong at 6.9% in the second quarter of 2017. On the other hand, despite growth picked up in the United States ("**U.S.**") as firms grew more confident about future demand, growth projections are lower than in April 2017, primarily reflecting the assumption that fiscal policy

of the U.S. will be less expansionary going forward than previously anticipated. The growth forecast has also been revised downwards for the United Kingdom for 2017 on weaker-than-expected activity in the first quarter of 2017. By contrast, growth projections for 2017 have been revised upwards for many countries in the Eurozone, including France, Germany, Italy, and Spain, where growth for the first quarter of 2017 were generally above expectations.

Our unique high-base-rent long-term hotel operating lease structure has continued to demonstrate resilient financial performance with strong downside protection. The New Century Tourism rental guarantee together with the bank guarantee or one-year cash security deposit for our hotels in the PRC, and the guarantee from the lessee's parent company of the Netherlands Hotel have also offered strong protection against rental collectability risk.

Our resilient hotel operations and qualities were reflected in our 5.4 percentage points YoY increase in hotel occupancy rate and 11.6% higher average revenue per available room. Leveraging on the significant New Century Group's 251 star-rate-hotel platform and the rich management experience of the lessees of our Hotel Properties, our Hotel Properties were managed cost effectively through cost savings.

In addition, New Century Group increased its Century Club loyal memberships by 18% to approximately 4.5 million from 31 December 2016 to 30 June 2017, which significantly expanded the potential customers' awareness of the brand with a view to increase the businesses for New Century REIT hotels.

## PROSPECTS

With improving global and China economic environments and tourism industries, our Hotel Properties should continue to offer high cash yield in addition to solid downside protection. Further to the noticeable improvement in performance of our Hotel Properties in the first half of 2017, we believe that the positive trend will continue for the remaining period of 2017.

## CHAIRMAN'S STATEMENT

Against the backdrop of rising disposable incomes and middle-class consumption, the continuous expansion of transportation networks including the high-speed railway and aviation network, the tourism industry in China continued to grow rapidly. In addition, the supportive measures promulgated by the PRC government in recent years helped to further develop tourist resources and boost growth in China's tourism industry. With real GDP growth during the second quarter in 2017 maintaining at 6.9%, China is still among the fastest growing countries in the world. All these factors should support higher average room rates and food and beverage ("**F&B**") charges, and hence higher profitability of the hospitality sector. We remain positive in our medium to long-term outlook of China's hotel industry.

Outbound investments from Chinese enterprises are expected to slow down in view of the recent promulgation of tightening measures on capital outflows and related bank financing by the PRC government, which may offer opportunities for New Century REIT. We continue to actively pursue overseas investment opportunities that deliver long-term stable income to the Unitholders. We believe that investing in different asset classes with stable long-term income streams across the globe will help maximize the long-term sustainable growth of New Century REIT and diversify the risks from a single market.

On behalf of the REIT Manager, I would like to express my gratitude to DB Trustees (Hong Kong) Limited, (the "**Trustee**") and the Unitholders for their support and confidence rendered to us.

On Behalf of the Board

**New Century Asset Management Limited**

(as the manager of New Century REIT)

**Jin Wenjie**

*Chairman*

Hong Kong, 23 August 2017

# REPORT OF THE REIT MANAGER

## Dear Unitholders,

On behalf of the Board, I am pleased to present the interim results of the Group for the Reporting Period.

## KEY FINANCIAL HIGHLIGHTS

The total revenue, profit attributable to Unitholders, and distributable income of New Century REIT for the Reporting Period were approximately RMB158 million (2016: RMB157 million), RMB47 million (2016: RMB1 million), and RMB52 million (2016: RMB78 million) respectively, having increased by 0.3%, 4,229.6%, and decreased by 33.4% YoY, respectively. A special distribution amounting to RMB33 million was declared to offset the impact from new policies to pay REIT manager fees in cash, to reduce official dividend payment ratio to 90% and to repatriate onshore profit for offshore dividend payment by paying China withholding tax. The DPU of New Century REIT for the Reporting Period was RMB0.0830 or equivalent to HK\$0.0973 (2016: RMB0.0823 or equivalent to HK\$0.0961), based on a payout ratio of 90% (2016: 100%). The annualized distribution yield was 8.0% based on the closing market price of the Units of HK\$2.43 on 30 June 2017, up 0.4 percentage points from 2016.

Revenue of New Century REIT for the Reporting Period was made up of approximately (i) RMB140 million (2016: RMB138 million) rental income in respect of the leases of the Hotel Properties and the Shanghai Hotel and (ii) RMB18 million (2016: RMB19 million) other rental income from the leasing of commercial and office spaces, shopping and recreational areas in the Hotel Properties and the Shanghai Hotel under various individual lease agreements.

New Century REIT's portfolio demonstrated a stabilizing trend in room departmental performance with RevPAR having increased by 11.6% YoY during the Reporting Period. Average occupancy increased 5.4 percentage points YoY to 67% with the help of competitive ADR and new marketing initiatives.

In addition, leveraging on the well-established reputation of the "New Century" brand across China, our hotels in the PRC have continued to expand their Meetings, Incentives, Conferencing and Exhibitions ("**MICE**") businesses.

Prudent cost control measures have been implemented in relation to the Hotel Properties during the Reporting Period, which contributed to relatively stable portfolio core gross operating profit margins. Overall, hotel market volatility was substantially mitigated through (i) our high base long-term leases, with either bank guarantee(s) or one-year cash securities deposits for the hotels in the PRC, and (ii) the high-base rent long-term hotel lease for the Netherlands Hotel.

Repayment of bank borrowings using the sale proceeds from the disposal of the Target Company effectively reduced total borrowings. As a result, the gearing ratio as of 30 June 2017 was 40.9% (as of 31 December 2016: 43.7%). The gearing ratio was reduced further to approximately 39% after the repayment of certain loans in July 2017.

## HEALTHY FINANCIAL POSITION

As at 30 June 2017, New Century REIT had aggregate gross borrowings of approximately RMB2,309 million (as at 31 December 2016: RMB2,707 million). As at 30 June 2017, approximately USD105 million (equivalent to approximately RMB711 million) (as at 31 December 2016: USD123 million (equivalent to approximately RMB853 million)) out of USD150 million (equivalent to approximately RMB1,016 million) (as at 31 December 2016: USD150 million (equivalent to approximately RMB1,041 million)) revolving facilities remained unutilized, providing ample financial resources to New Century REIT. As at 30 June 2017, the valuation of the Hotel Properties, as appraised by Savills Valuation and Professional Services Limited and its affiliates, the ("**Principal Valuer**"), was RMB4,800 million (as at 31 December 2016: RMB5,656 million).

## REPORT OF THE REIT MANAGER

As at 30 June 2017, the gearing ratio of New Century REIT was approximately 40.9% (as at 31 December 2016: 43.7%), being the ratio of the total borrowings of approximately RMB2,309 million (as at 31 December 2016: RMB2,707 million), comprising bank and other borrowings (excluding transaction costs) and a loan from a related party, over the total asset value of RMB5,653 million (as at 31 December 2016: RMB6,196 million), which was below the maximum limit of 45% as permitted under the REIT Code. In July 2017, we used the remaining sale proceeds from the disposal of the Target Company in relation to the sale of Shanghai Hotel to repay certain loans, which further reduced the gearing ratio to approximately 39%.

New Century REIT had total cash and cash equivalents and restricted cash of RMB779 million (as at 31 December 2016: RMB453 million), which comprised RMB496 million (as at 31 December 2016: RMB202 million) in unrestricted cash and RMB283 million (as at 31 December 2016: RMB251 million) in restricted cash as at 30 June 2017. New Century REIT possesses sufficient financial resources and bank loan facilities and receives timely payments of rental income to satisfy its financial commitments and working capital requirements. In terms of maturity profile of the total borrowings of RMB2,309 million, comprising bank and other borrowings (excluding transaction costs) and a loan from a related party, as at 30 June 2017, 14.5% of total borrowings was payable on demand or within 1 year; 0.3% was between 1 and 2 years, 75.7% was between 2 and 3 years, and 9.5% was over 3 years. These compared respectively to 22.5%, 0.2%, 69.4%, and 7.9% as at 31 December 2016.

In early 2017, the Group entered into certain capped forward agreements in the aggregate amount of USD120 million to hedge against part of our currency mismatch between our RMB assets and USD bank loans.

To manage our interest rate risk, the Group had entered into (i) interest rate swaps and (ii) interest rate caps with commercial banks, which effectively (i) converted the borrowing interest rate from floating rates to fixed rates and (ii) kept the floating interest rates within the cap rates. As at 30 June 2017, the notional principal

amounts of the outstanding interest rate swaps were USD230 million or equivalent to RMB1,558 million (as at 31 December 2016: USD290 million or equivalent to RMB2,012 million), and the fixed interest rates at 3.11% per annum (2016: between 3.11% to 3.7% per annum). Whereas the notional principal outstanding interest rate cap was Euro (“EUR”) 13.1 million or equivalent to RMB102 million (as at 31 December 2016: EUR13.1 million or equivalent to RMB96 million) and the interest rate was capped at 4.4% (as at 31 December 2016: 4.4%) which consisted of a 1.5% cap rate and a 5-year lending spread of 2.9%. A higher cap rate was used to lower hedging cost. Both the cap instrument and the loan facility will terminate in May 2021. In addition, borrowings of approximately RMB624 million are at floating rates.

Altogether, borrowings of approximately RMB1,583 million are at fixed rates and RMB726 million are at floating rates.

### ASSET ENHANCEMENT

To maintain the quality of the Hotel Properties, a number of major capital expenditures (“capex”) and asset enhancement works were completed, while the remaining works are currently underway in the Hotel Properties including, among others, the conversion of sauna rooms into meeting rooms and the conversion of the leisure area into function rooms at New Century Grand Hotel Hangzhou; the replacement of carpets in function rooms at New Century Grand Hotel Ningbo; the landscape enhancement works at New Century Resort Qiandao Lake Hangzhou; and the replacement of air ducts of the air-conditioning system in the function rooms of New Century Hotel Xiaoshan Zhejiang.

At the Netherlands Hotel, a number of renovations were completed in the first half of 2017 including the enhancement of the heating system, replacement of plate heat exchanger and replacement of sleeping couches. We believe that all these capex and asset enhancement works will maintain the high quality of the Hotel Properties. The REIT Manager will continue to evaluate other asset enhancement initiatives to increase the values of the assets to the Unitholders.

## REPORT OF THE REIT MANAGER

### KEY HOTEL OPERATING HIGHLIGHTS

New Century Grand Hotel Hangzhou, New Century Hotel Xiaoshan Zhejiang and New Century Resort Qiandao Lake demonstrated significant YoY performance improvement during the six months ended 30 June 2017 with RevPAV having increased by 26%, 14% and 19% respectively. Overall occupancy of the hotel portfolio increased by 5.4 percentage points to 67% while ADR increased by 2.7% to RMB532, resulting in an increase in RevPAR of 11.6% to RMB357.

It is important to emphasize that our high base rent long-term lease structure helps to mitigate performance volatility arising from the typical hotel business cycle. For the hotels in PRC, our rental bank guarantees or one-year security deposits also help reduce rental collectability risk.

The following tables set forth information on the average occupancy rates ("**Occupancy**"), ADR and average RevPAR of the Hotel Properties and the Shanghai Hotel for the six months ended 30 June 2017 and 2016.

		ADR* RMB (excl. Value-Added Tax "VAT")	RevPAR* RMB (excl. VAT)
For the six months ended 30 June 2017		Occupancy %	
New Century Grand Hotel Hangzhou	69.5%	544	378
New Century Hotel Xiaoshan Zhejiang	71.5%	331	237
New Century Resort Qiandao Lake Hangzhou	68.1%	621	423
New Century Grand Hotel Ningbo	67.7%	538	364
New Century Grand Hotel Changchun	60.6%	483	292
Songjiang New Century Grand Hotel Shanghai**	67.1%	623	418
New Century Grand Hotel Kaifeng	54.9%	537	295
<b>Weighted Average (hotels in PRC)</b>	<b>66.1%</b>	<b>522</b>	<b>345</b>
Holiday Inn Eindhoven ***	79.9%	662	529
<b>Weighted Average (Overall)</b>	<b>67.1%</b>	<b>532</b>	<b>357</b>

#### Notes:

\* Except for Holiday Inn Eindhoven, the ADR and RevPAR included complimentary breakfast for hotel room guests.

\*\* Figures for the Shanghai Hotel are for the five months ended 31 May 2017 before the Disposal Date.

\*\*\* Amounts denominated in Euros have been converted into RMB using the exchange rate of € 1 = RMB7.7369 as of 30 June 2017.

## REPORT OF THE REIT MANAGER

For the six months ended 30 June 2016	Occupancy %	ADR* RMB (excl. VAT)	RevPAR* RMB (excl. VAT)
New Century Grand Hotel Hangzhou	62.4%	481	300
New Century Hotel Xiaoshan Zhejiang	65.5%	318	208
New Century Resort Qiandao Lake Hangzhou	56.7%	624	354
New Century Grand Hotel Ningbo	66.8%	521	348
New Century Grand Hotel Changchun	57.5%	520	299
Songjiang New Century Grand Hotel Shanghai**	62.9%	637	401
New Century Grand Hotel Kaifeng	48.7%	546	265
<b>Weighted Average (hotels in the PRC)</b>	<b>60.6%</b>	<b>507</b>	<b>307</b>
Holiday Inn Eindhoven ***	76.6%	638	489
<b>Weighted Average (Overall)</b>	<b>61.7%</b>	<b>518</b>	<b>320</b>

*Notes:*

\* Except for Holiday Inn Eindhoven, the ADR and RevPAR included complimentary breakfast for hotel room guests.

\*\* For comparison purposes, figures for the Shanghai Hotel are for the five months ended 31 May 2016.

\*\*\* Holiday Inn Eindhoven was acquired by New Century REIT on 9 August 2016. It is included for reference only. Amounts denominated in Euros have been converted into RMB using the exchange rate of € 1 = RMB7.3816 as of 30 June 2016.

During the Reporting Period, overall F&B revenue decreased by 7.9% YoY resulting from the 8.3% YoY decrease at our hotels in the PRC mainly due to the decline in banquet revenue and the 1.9% YoY increase at the Netherlands hotel. For the hotels in the PRC,

F&B revenue per head increased by 5.2% YoY to RMB143. Seat utilization increased by 13 percentage points to 156% but banquet revenue decreased by 18.6% YoY to RMB35 per sq.m. per day.

## REPORT OF THE REIT MANAGER

The following tables set forth information on the average F&B spending per customer (“**F&B Spending Per Customer**”), average outlets seat utilization rate (“**F&B Outlet Utilization Rate**”) and average revenue per sq.m. per day of banquet rooms (“**Revenue Per SQ.M. Per Day of Banquet Room**”) at our hotels in the PRC for the six months ended 30 June 2017 and 2016:

	F&B Spending Per Customer RMB* (excl. VAT)	F&B Outlet Utilization Rate %	Revenue Per SQ.M. Per Day of Banquet Room RMB (excl. VAT)
<b>For the six months ended 30 June 2017</b>			
New Century Grand Hotel Hangzhou	185	208%	52
New Century Hotel Xiaoshan Zhejiang	133	137%	62
New Century Resort Qiandao Lake Hangzhou	101	129%	13
New Century Grand Hotel Ningbo	169	193%	50
New Century Grand Hotel Changchun	121	106%	18
Songjiang New Century Grand Hotel Shanghai**	123	146%	28
New Century Grand Hotel Kaifeng	95	154%	11
<b>Weighted Average</b>	<b>143</b>	<b>156%</b>	<b>35</b>

Notes:

\* F&B Spending Per Customer excludes breakfast customers.

\*\* Figures for the Shanghai Hotel are for the five months ended 31 May 2017 before the Disposal Date.

	F&B Spending Per Customer RMB* (excl. VAT)	F&B Outlet Utilization Rate %	Revenue Per SQ.M. Per Day of Banquet Room RMB (excl. VAT)
<b>For the six months ended 30 June 2016</b>			
New Century Grand Hotel Hangzhou	168	190%	70
New Century Hotel Xiaoshan Zhejiang	127	135%	90
New Century Resort Qiandao Lake Hangzhou	96	102%	13
New Century Grand Hotel Ningbo	127	188%	51
New Century Grand Hotel Changchun	125	108%	14
Songjiang New Century Grand Hotel Shanghai**	154	126%	37
New Century Grand Hotel Kaifeng	96	126%	10
<b>Weighted Average</b>	<b>136</b>	<b>143%</b>	<b>43</b>

Notes:

\* F&B Spending Per Customer excludes breakfast customers.

\*\* For comparison purposes, figures for the Shanghai Hotel are for the five months ended 31 May 2016.

# REPORT OF THE REIT MANAGER

## KEY HOTEL OPERATION INITIATIVES

In view of the increasing competition from other new hotels, the hotels in our portfolio have continued to take initiatives to improve revenue, reduce operating expenses, and enhance operational efficiency. In order to increase overall hotel revenue, room prices at some of our hotels in the PRC were reduced to boost occupancies and F&B contributions. In addition, incentives were offered and various promotional and marketing events were held to promote our banquet business. For our hotels in the PRC, various sales incentives have also been offered to tours and internet-based bookings to encourage tour business and online booking. On the other hand, cost-saving measures were implemented to reduce operating expenses. To enhance the sales distribution, our PRC hotels have further strengthened the connection with online travel agencies and other travel agents.

For the Netherlands Hotel, to continue to boost revenue and occupancy, flexible room rates were offered to corporate clients. In addition, focus has been placed on business development and promotion via the IHG Business Rewards program and on the MICE segment.

## SHANGHAI HOTEL DISPOSAL

On 24 March 2017, New Century REIT, through its wholly-owned subsidiary Full Wise HK, entered into a share purchase agreement with Hangzhou Industrial & Commercial Trust Co., Ltd. for the disposal of the entire registered capital of the Target Company. On the Disposal Date, New Century REIT (through Full Wise HK) transferred the entire registered capital of the Target Company to Hangzhou Industrial & Commercial Trust Co., Ltd. (杭州工商信托股份有限公司). The disposal of the Target Company was completed on 12 July 2017. Immediately prior to the disposal of the Target Company, the Target Company held the entire registered capital of Shanghai Songjiang Hui Wei Asset Management Limited, which in turn holds the Shanghai Hotel. After the Disposal Date, New Century REIT ceased to hold any interest in the Disposal Group, including the Shanghai Hotel. The consideration of the disposal was in the aggregate sum of RMB877.3 million. For further details, please refer

to the announcements of New Century REIT dated 24 March 2017, 28 April 2017, 2 June 2017 and 12 July 2017 respectively and the circular of New Century REIT dated 12 April 2017.

As a result of the disposal, (i) the gearing ratio of New Century REIT fell to 40.9% as at 30 June 2017 which leaves room for future acquisitions by New Century REIT; and (ii) the total number of hotel rooms in New Century REIT's portfolio decreased from 3,030 to 2,584 and total GFA was reduced to 386,277 sq.m..

## OUTLOOK

Despite geo-political issues and global economic volatility, the performance of our portfolio has demonstrated satisfactory improvement as a result of our strong initiatives on marketing and cost savings, gradual improvement in overall supply/demand dynamics and supportive administrative policies, which we believe are positive structural attributes that will help support New Century REIT's performance in the medium term.

Given the ongoing political and economic uncertainty relating to the outcome of the negotiations between the United Kingdom and the European Union, and the prospects of a gradual increase in interest rates and monetary policy normalization in some advanced economies including notably the U.S., a faster-than-anticipated tightening in global financial conditions and reversals in capital flows along with U.S. dollar appreciation could be triggered. Against this backdrop, the overall global economy and financial markets are generally expected to be volatile in the remaining period of 2017. Leveraging on the high base-rent long-term operating lease structure, our hotel portfolio should continue to be resilient to the increased volatility and uncertainties globally.

Following the disposal of the Shanghai Hotel, we will continue to look for growth opportunities through acquisitions from the New Century Group or third-party sources from around the world. Pipeline overseas investment opportunities remain plentiful for high-quality and upscale hotels and commercial buildings with long-

## REPORT OF THE REIT MANAGER

term stable income streams. Potential acquisitions will be funded by internal resources, debt facilities, and/or proceeds from equity issuances. We believe that investing in different asset classes with stable long-term income stream across the globe will help maximize the long-term sustainable growth of New Century REIT and diversify the risks from a single market.

### PLEDGE OF ASSETS

As at 30 June 2017, the Hotel Properties of New Century REIT with an aggregate carrying value of RMB4,800 million (as at 31 December 2016: RMB4,776 million), bank deposits and trade receivables (including trade receivables due from related parties) with aggregate value of RMB309 million (as at 31 December 2016: RMB295 million), certain corporate guarantees and equity interests of certain subsidiaries were pledged to secure bank loan borrowings at an aggregate principal amount of RMB2,178 million (as at 31 December 2016: RMB2,601 million). For details, please refer to Notes 14, 17, 18, 22 and 28(c) of the condensed consolidated financial statements.

### EMPLOYEES

New Century REIT is managed by the REIT manager and the Trustee. By contracting out such services, New Century REIT, through its subsidiaries, had three employees (as at 31 December 2016: four employees) in its own right as at 30 June 2017 and such costs are reimbursed by the REIT Manager.

New Century REIT provides competitive salary packages and bonuses for its employees, as well as other benefits, including participation in retirement schemes, medical insurance schemes, accident insurance schemes, unemployment insurance schemes, and maternity insurance schemes. The salary levels are regularly reviewed against market standards.

### FOREIGN CURRENCY EXCHANGE RISK

The Group's exposure to foreign exchange risk relates principally to its cash and cash equivalents and bank borrowings, denominated primarily in USD and HK\$. In view of the recent depreciation of RMB, the Group has specifically hedged this exposure. The Group has entered into certain capped forward agreements to hedge against part of our currency mismatch between our RMB assets and USD bank loans.

### CHEUNG YAT MING

*Executive Director and Chief Executive Officer*

Hong Kong, 23 August 2017

# CORPORATE GOVERNANCE REPORT

New Century REIT is committed to maintaining a high level of corporate governance practices and procedures. The REIT Manager has adopted a compliance manual for use in relation to the management and operation of New Century REIT (the “**Compliance Manual**”) which sets out the key processes, systems, measures and certain corporate governance policies and procedures to be applied for governing the management and operation of New Century REIT and for compliance with all applicable laws and regulations. New Century REIT and the REIT Manager applied the principles and complied with, to the extent appropriate, the code provisions in the Corporate Governance Code in Appendix 14 to the Listing Rules.

During the six months ended 30 June 2017, both the REIT Manager and New Century REIT have in material terms complied with the provisions of the REIT Code, the relevant provisions of the SFO, the relevant provisions of the Listing Rules applicable to New Century REIT, the Trust Deed and the Compliance Manual.

## BOARD OF DIRECTORS OF THE REIT MANAGER

The board of directors of the REIT Manager (the “**Board**”) principally oversees the day-to-day management of the REIT Manager’s affairs and the conduct of its business and is responsible for the overall governance of the REIT Manager. The Board currently comprises seven members, including one executive Director, three non-executive Directors and three independent non-executive Directors.

As at 30 June 2017, the Board comprised the following members:

Mr. Jin Wenjie (*Chairman and non-executive Director*) (appointed with effect from 23 May 2017)

Mr. Cheung Yat Ming (*executive Director and chief executive officer*)

Mr. Zhang Guanming (*non-executive Director*)

Mr. Tong JinQuan (*non-executive Director*)

Mr. Angelini Giovanni (*independent non-executive Director*)

Mr. Yu Hon To, David (*independent non-executive Director*)

Professor He Jianmin (*independent non-executive Director*)

As at 30 June 2017, the composition of the Board committees were as follows:

### AUDIT COMMITTEE

Chairman: Mr. Yu Hon To, David

Member: Mr. Angelini Giovanni

Member: Professor He Jianmin

### FINANCE AND INVESTMENT COMMITTEE

Chairman: Mr. Cheung Yat Ming

Member: Ms. Ho Wai Chu

Member: Mr. Wan Hui Yeung

### NOMINATION COMMITTEE

Chairman: Mr. Jin Wenjie

Member: Mr. Angelini Giovanni

Member: Professor He Jianmin

## DISCLOSURES COMMITTEE

Chairman: Mr. Cheung Yat Ming  
Member: Mr. Zhang Guanming  
Member: Mr. Yu Hon To, David

## CHANGES IN INFORMATION OF DIRECTORS

Mr. Chen Miaolin resigned as the chairman, a non-executive Director and the chairman of the nomination committee of the REIT Manager with effect from 23 May 2017. Mr. Jin Wenjie was appointed as the chairman, a non-executive Director and the chairman of the nomination committee of the REIT Manager with effect from 23 May 2017. Please refer to the announcement dated 23 May 2017 issued by New Century REIT for more details.

## INTERESTS OF, AND DEALINGS IN UNITS BY DIRECTORS, THE REIT MANAGER OR THE SIGNIFICANT HOLDERS

To monitor and supervise any dealings of Units, the REIT Manager has adopted a code containing rules on dealings by the Directors and the REIT Manager on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules, which governs dealings by all Directors and employees of the REIT Manager, subsidiaries of the REIT Manager or the Special Purpose Vehicles of New Century REIT (the “**Management Persons**”).

Specific enquiry has been made with the Directors and the Management Persons, all of whom have confirmed that they have complied with the required standard set out in the Model Code from time to time during the six months ended 30 June 2017.

## ISSUE OF NEW UNITS

During the six months ended 30 June 2017, an aggregate of 7,199,487 new Units were issued to the REIT Manager as full payment of the REIT Manager’s fees for the period from 1 July 2016 to 31 December 2016.

The total number of Units in issue as at 30 June 2017 was 958,500,829 Units.

## PUBLIC FLOAT OF THE UNITS

Based on the information publicly available, as far as the REIT Manager is aware, not less than 25% of the issued and outstanding Units were held in public hands as at 30 June 2017.

# CONNECTED PARTY TRANSACTIONS

Set out below is summary information in respect of connected party transactions during the six months ended 30 June 2017 between New Century REIT and its connected persons (as defined in paragraph 8.1 of the REIT Code), which are governed by Chapter 8 of the REIT Code.

## WAIVERS FROM STRICT COMPLIANCE

As disclosed in the Offering Circular, waivers from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions between New Century REIT and its connected persons were granted by the SFC before the listing of New Century REIT ("**Waivers**"). Waivers have been granted subject to the relevant waiver terms and conditions including, inter alia, the requirements that transactions should be reviewed by the auditor of New Century REIT and the independent non-executive Directors and, where applicable, the transaction amounts should not exceed the specified annual caps ("**Waiver Conditions**").

With the approval of the Unitholders and on 16 July 2014, the SFC granted a waiver for (i) certain connected party transactions between New Century REIT and Huge Harvest Group ("**Modified and Extended Waiver**") and (ii) the acquisition of Shanghai Hotel (the "**2014 Shanghai Hotel Waiver**") respectively, subject to the terms and conditions as disclosed in the announcement of New Century REIT dated 16 July 2014. With the approval of the Unitholders and on 1 June 2016, the SFC granted (x) an extension of the Modified and Extended Waiver, which covers the period from 1 January 2017 to 31 December 2019 (the "**2016 Extended Waiver**") and (y) a modification of the 2014 Shanghai Hotel Waiver (the "**2016 Modified Shanghai Hotel Waiver**"). For further details of the 2016 Extended Waiver and the 2016 Modified Shanghai Hotel Waiver, please see the circular of New Century REIT dated 17 May 2016 and the poll results announcement of New Century REIT dated 1 June 2016. The entire registered capital of Lishui Full Wise was transferred from Full Wise HK to Hangzhou Industrial & Commercial Trust Co., Ltd. (杭州工商信托股份有限公司) with effect from 1 June 2017. Therefore, New Century REIT ceased to hold any interest in Lishui Full Wise, Shanghai Songjiang Hui Wei and hence the Shanghai Hotel. Accordingly, the 2014 Shanghai Hotel Waiver and the 2016 Modified Shanghai Hotel Waiver are no longer applicable to New Century REIT after 1 June 2017. Please refer to the section headed "Shanghai Hotel Disposal" in the Report of the REIT Manager on page 12 of this report for further details on the disposal of the Shanghai Hotel.

With the approval of the Unitholders and on 17 July 2015, the SFC also granted a waiver for certain connected party transactions between New Century REIT and Huge Harvest Group (the "**Kaifeng Hotel Waiver**"), subject to the terms and conditions as disclosed in the announcement of New Century REIT dated 17 July 2015. For further details of the Kaifeng Hotel Waiver, please see the circular of New Century REIT dated 30 June 2015 and the poll results announcement of New Century REIT dated 17 July 2015.

The annual cap under the 2016 Extended Waiver granted by SFC on 1 June 2016 for the year ended 31 December 2017 was RMB17.7 million. New Century REIT had relevant lease transactions within the 2016 Extended Waiver of approximately RMB6.2 million for the six months ended 30 June 2017, therefore New Century REIT is well within and fully complied with the annual cap.

For the six months ended 30 June 2017, New Century REIT has complied with the relevant terms and conditions of the 2016 Extended Waiver, the 2016 Modified Shanghai Hotel Waiver and the Kaifeng Hotel Waiver.

## CONNECTED PARTY TRANSACTIONS

### INCOME

The following table sets out information on continuing connected party transactions from which New Century REIT derived its income during the six months ended 30 June 2017:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transactions	Income received/receivable for the six months ended 30 June 2017 (RMB'000)
浙江開元酒店管理股份有限公司及其集團其他成員公司 (Zhejiang New Century Hotel Management Limited* and other members of its group)	Associate of significant holder and director <sup>1</sup>	Leasing transaction	109,132
開封開元酒店管理有限公司 (New Century Grand Hotel Kaifeng Management Company Limited*)	Associate of director <sup>2</sup>	Leasing transaction	11,000
上海開元企業經營管理有限公司 (Shanghai New Century Enterprise Operation Management Limited*)	Associate of significant holder and director <sup>2</sup>	Leasing transaction	2,706
開元旅業集團有限公司 (New Century Tourism Group Limited*)	Associate of significant holder and director <sup>3</sup>	Leasing transaction	999
杭州開元房地產集團有限公司 (Hangzhou New Century Real Estate Group Limited*)	Associate of significant holder and director <sup>4</sup>	Leasing transaction	931
杭州開元森泊旅遊投資有限公司 (Hangzhou New Century Senbo Tourism Investment Limited*)	Associate of significant holder and director <sup>4</sup>	Leasing transaction	180
杭州開元國際旅遊有限公司 (Hangzhou New Century International Tourism Limited*)	Associate of significant holder and director <sup>2</sup>	Leasing transaction	93
杭州開元之江清洗連鎖有限公司 (Hangzhou New Century Zhijiang Cleaning Chain Limited*)	Associate of significant holder and director <sup>2</sup>	Leasing transaction	66
杭州開元裝飾工程有限公司 (Hangzhou New Century Decorating Limited*)	Associate of significant holder and director <sup>3</sup>	Leasing transaction	61
杭州開元信息系統有限公司 (Hangzhou New Century Information System Engineering Limited*)	Associate of significant holder and director <sup>4</sup>	Leasing transaction	27

## CONNECTED PARTY TRANSACTIONS

### RENTAL DEPOSITS

New Century REIT has received the following rental deposits from its connected persons during the six months ended 30 June 2017:

Name of the Connected Person	Relationship with New Century REIT	Nature of the Connected Party Transactions	Rental deposits received during the six months ended 30 June 2017 (RMB'000)
浙江開元酒店管理股份有限公司及其集團其他成員公司 (Zhejiang New Century Hotel Management Limited* and other members of its group)	Associate of significant holder and director <sup>1</sup>	Leasing transaction	469
杭州開元森泊旅遊投資有限公司 (Hangzhou New Century Senbo Tourism Investment Limited*)	Associate of significant holder and director <sup>4</sup>	Leasing transaction	67

*Notes:*

1. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT) and Mr. Jin Wenjie (chairman and non-executive Director of the REIT Manager).
2. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT).
3. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT), Mr. Jin Wenjie (chairman and non-executive Director of the REIT Manager) and Mr. Zhang Guanming (non-executive Director of the REIT Manager).
4. The connected person concerned is an associate of Mr. Chen Miaolin (a significant Unitholder of New Century REIT) and Mr. Zhang Guanming (non-executive Director of the REIT Manager).

\* The English name is shown for identification purpose only.

## CONNECTED PARTY TRANSACTIONS

### LOAN

For the six months ended 30 June 2017, New Century REIT incurred an interest expense of RMB2,849,000 to Celestial Gate Limited in relation to a drawdown of RMB106,044,000 provided by Celestial Gate Limited to New Century Europe in August 2016, with an average interest rate of 5.39% per annum, under the facility agreement dated 9 August 2016 for a commitment amount of RMB135,000,000. The loan is unsecured and is for a term of five and a half years from the date of the initial utilization date. Celestial Gate Limited is an indirectly owned subsidiary of New Century Tourism, with 85.21%, 8.53% and 6.26% of its issued share capital ultimately held by Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming respectively, being a connected party of New Century REIT. For more details, please refer to the announcements of New Century REIT dated 29 July 2016 and 9 August 2016.

### EXPENSES

Save as disclosed above and in the paragraphs headed “Terms and Remuneration of Services Provided by the REIT Manager, the Trustee and the Principal Valuer” as set out below in this section, there are no other connected party transactions in which New Century REIT incurred expenses for the six months ended 30 June 2017.

### RECEIVABLES AND PAYABLES

There are trade and other receivable and payable balances, as well as advances, with connected persons brought forward from prior years and from leasing transactions occurred during the six months ended 30 June 2017, which are set out in notes 28(b) and 28(c), respectively, of the notes to the condensed consolidated interim financial information on pages 61 to 65 of this report.

### TERMS AND REMUNERATION OF SERVICES PROVIDED BY THE REIT MANAGER, THE TRUSTEE AND THE PRINCIPAL VALUER

Pursuant to note 2 to paragraph 8.10 of the REIT Code, services provided by the REIT Manager, the Trustee and the Principal Valuer to New Century REIT as contemplated under the constitutive documents shall not be deemed connected party transactions. Therefore, such services are not disclosed in the above sections.

For the six months ended 30 June 2017, the aggregate amount of fees (in the form of cash and/or units) paid/payable by New Century REIT to the Trustee and to the REIT Manager under the constitutive documents were RMB622,000 and RMB18,197,000 respectively. Particulars of services provided by the REIT Manager for the six months ended 30 June 2017 is set out in Note 8 of the notes to the condensed consolidated interim financial information on page 39 of this report. The fees paid/payable to Savills Valuation and Professional Services Limited, the Principal Valuer of New Century REIT, for the six months ended 30 June 2017 was RMB390,000.

# DISCLOSURE OF INTERESTS

The REIT Code requires connected persons (as defined in paragraph 8.1 of the REIT Code) of New Century REIT to disclose their interests in the Units. In addition, the Trust Deed requires that the provisions of Part XV of the SFO are deemed to apply to the REIT Manager, the directors and the chief executives of the REIT Manager, and to persons interested in the Units.

## UNITHOLDINGS OF SIGNIFICANT UNITHOLDERS

As at 30 June 2017, the interests and short positions in Units of the significant Unitholders (as defined in paragraph 8.1 of the REIT Code (other than the REIT Manager, its Directors or the chief executive of the REIT Manager)), as recorded in the register required to be kept by the REIT Manager pursuant to Schedule 3 of the Trust Deed and section 336 of the SFO, or so far as the REIT Manager is aware, were as follows:

Name of the Significant Unitholders	Total Number of Issued Units Held (long positions)	Approximate Percentage of the Issued Units as at 30 June 2017
Standard Chartered Trust (Singapore) Limited <sup>1</sup>	576,591,493	60.16%
SCTS Capital Pte. Ltd. <sup>2</sup>	576,591,493	60.16%
Poppytown Group Limited <sup>3</sup>	576,591,493	60.16%
Huge Harvest International Limited <sup>4</sup>	576,591,493	60.16%
Chen Miaolin <sup>5</sup>	576,591,493	60.16%
Wealthy Fountain Holdings Inc. <sup>6</sup>	139,450,000	14.55%
Shanghai Summit Pte. Ltd. <sup>7</sup>	139,450,000	14.55%
Ding An Investments Limited	60,411,839	6.30%
Liu YongJuan <sup>8</sup>	60,411,839	6.30%
Success Conquer Global Limited	49,222,000	5.14%

## DISCLOSURE OF INTERESTS

### Notes:

1. Standard Chartered Trust (Singapore) Limited holds 100% of the interests of SCTS Capital Pte. Ltd. (Note 2). SCTS Capital Pte. Ltd., as nominee shareholder of irrevocable trusts, holds 100% of the Interests of Poppytown Group Limited (Note 3), Capitilla Worldwide Limited and Litewait Worldwide Limited, which altogether hold 100% of the interests of Huge Harvest International Limited (Note 4). Hence, Standard Chartered Trust (Singapore) Limited has deemed interest in the Units held by Huge Harvest International Limited.

Standard Chartered Trust (Singapore) Limited is accustomed to act in the investment directions of Mr. Chen Miaolin (Note 5), Mr. Zhang Guanming (non-executive Director of the REIT Manager) and Mr. Chen Canrong (director of Xiaoshan Hotel Company).

As at 30 June 2017, Mr. Chen Miaolin is a beneficiary of a irrevocable trust with SCTS Capital Pte. Ltd. as nominee shareholder. This irrevocable trust holds 100% of the interests of Poppytown Group Limited and Poppytown Group Limited holds 83.90% of the interests of Huge Harvest International Limited. Standard Chartered Trust (Singapore) Limited holds 100% of the interests of SCTS Capital Pte. Ltd. Therefore, Standard Chartered Trust (Singapore) Limited, SCTS Capital Pte. Ltd., Poppytown Group Limited and Huge Harvest International Limited are connected persons of New Century REIT.

2. SCTS Capital Pte. Ltd., as nominee shareholder, holds 100% of the interests of Poppytown Group Limited (Note 3). Hence, SCTS Capital Pte. Ltd. has deemed interest in the Units held by Huge Harvest International Limited.
3. Poppytown Group Limited holds 83.90% of the interests of Huge Harvest International Limited (Note 4). Hence, Poppytown Group Limited has deemed interest in the Units held by Huge Harvest International Limited.
4. Huge Harvest International Limited is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT.

Of the 576,591,493 Units, Huge Harvest International Limited held 26,340,329 Units via New Century Asset Management Limited, representing 2.75% of the Units issued by New Century REIT, as at 30 June 2017.

5. As at 30 June 2017, Mr. Chen Miaolin is the settlor and a beneficiary of a irrevocable trust with SCTS Capital Pte. Ltd. as nominee shareholder. This irrevocable trust holds 100% of the interests of Poppytown Group Limited and Poppytown Group Limited holds 83.90% of the interests of Huge Harvest International Limited. Hence, Mr. Chen Miaolin has deemed interest in the Units held by Huge Harvest International Limited.
6. Wealthy Fountain Holdings Inc. is a significant Unitholder (within the meaning of the REIT Code) of New Century REIT. Wealthy Fountain Holdings Inc. is 100% controlled by Shanghai Summit Pte. Ltd. (Note 7).
7. Shanghai Summit Pte. Ltd. holds 100% of the interests of Wealthy Fountain Holdings Inc. (Note 6). Hence, Shanghai Summit Pte. Ltd. has deemed interest in the Units held by Wealthy Fountain Holdings Inc.

Mr. Tong JinQuan (Note 9), non-executive Director of the REIT Manager, holds 100% of the interests of Shanghai Summit Pte. Ltd. Hence, Mr. Tong JinQuan has deemed interest in the Units held by Wealthy Fountain Holdings Inc.

8. Ms. Liu YongJuan holds 100% of the interests of Ding An Investments Limited. Hence, Ms. Liu YongJuan has deemed interest in the Units held by Ding An Investments Limited.

## DISCLOSURE OF INTERESTS

### UNITHOLDINGS OF THE REIT MANAGER, ITS DIRECTORS OR CHIEF EXECUTIVE

As at 30 June 2017, the interests and short position in Units of the REIT Manager, its Directors or chief executive as recorded in the register required to be kept by the REIT Manager, pursuant to Schedule 3 of the Trust Deed and section 352 of the SFO, or as far as the REIT Manager is aware, were as follows:

Name of the REIT Manager, Directors and Chief Executive of the REIT Manager	Total Number of Issued Units Held (long positions)	Approximate Percentage of the Issued Units as at 30 June 2017
Tong JinQuan <sup>9</sup>	139,450,000	14.55%
New Century Asset Management Limited <sup>10</sup>	26,340,329	2.75%
Jin Wenjie <sup>11</sup>	1,679,000	0.18%
Cheung Yat Ming <sup>12</sup>	212,000	0.02%

Notes (continued):

9. Mr. Tong JinQuan, non-executive Director of the REIT Manager, holds 100% of the interests in Shanghai Summit Pte. Ltd. (Note 7).

Shanghai Summit Pte. Ltd. holds 100% of Wealthy Fountain Holdings Inc. Hence, Mr. Tong JinQuan has deemed interest in the Units held by Wealthy Fountain Holdings Inc.

10. New Century Asset Management Limited is the REIT Manager of New Century REIT. 7,199,487 new Units were issued to the REIT Manager on 8 June 2017 as payment of the REIT Manager's fee for the period from 1 July 2016 to 31 December 2016. As at 30 June 2017, the REIT Manager beneficially held 26,340,329 Units.

11. Mr. Jin Wenjie has been appointed as the chairman, non-executive Director and the chairman of the nomination committee of the REIT Manager with effect from 23 May 2017.

12. As at 30 June 2017, Mr. Cheung Yat Ming is the chief executive officer, executive Director and responsible officer of the REIT Manager.

Save as disclosed above, the REIT Manager is not aware of any other connected persons (within the meaning in the REIT Code) of New Century REIT holding any beneficial interest in the Units as at 30 June 2017.

## OTHER INFORMATION

### BUY-BACK, SALE OR REDEMPTION OF UNITS

During the six months ended 30 June 2017, there was no buy-back, sale or redemption of the Units by the REIT Manager on behalf of New Century REIT or any of the SPVs that are owned and controlled by New Century REIT.

### EMPLOYEES

New Century REIT is managed by the REIT Manager and the Trustee. By contracting out such services, New Century REIT, through its subsidiaries, has three employees in its own right as at 30 June 2017 and such costs are reimbursed by the REIT Manager.

### CLOSURE OF REGISTER OF UNITHOLDERS

The record date for the 2017 interim distribution will be 15 September 2017, Friday (the “**Record Date**”). The register of Unitholders will be closed on 15 September 2017, Friday, during which period no transfer of Units will be effected. The interim distribution is expected to be payable on 29 September 2017, Friday, to Unitholders whose names appear on the register of Unitholders on the Record Date.

In order to qualify for the 2017 interim distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged for registration with New Century REIT’s Unit Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on 14 September 2017, Thursday.

### REVIEW OF INTERIM REPORT

The Group’s interim report for the six months ended 30 June 2017 has been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager in accordance with their respective terms of reference.

The Group’s condensed consolidated interim financial statements for the six months ended 30 June 2017 have not been audited but have been reviewed by PricewaterhouseCoopers, external auditors of New Century REIT, in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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**TO THE BOARD OF DIRECTORS OF NEW CENTURY ASSET MANAGEMENT LIMITED (THE “REIT MANAGER”)**  
(AS THE MANAGER OF NEW CENTURY REAL ESTATE INVESTMENT TRUST)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 66, which comprises the interim condensed consolidated balance sheet of New Century Real Estate Investment Trust (“**New Century REIT**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2017 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, distribution statement, interim condensed consolidated statement of net assets attributable to unitholders and changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the REIT Manager are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 23 August 2017

# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	7	<b>157,656</b>	157,255
Operating expenses	8	<b>(36,288)</b>	(33,030)
Other gains – net	10	<b>14,506</b>	3,792
Change in fair values of investment properties	14	<b>12,788</b>	(1,922)
<b>Operating profit</b>		<b>148,662</b>	126,095
Finance income	11	<b>52,253</b>	2,078
Finance expenses	11	<b>(67,389)</b>	(91,899)
<b>Profit before taxation and transactions with unitholders</b>		<b>133,526</b>	36,274
Income tax expense	12	<b>(85,439)</b>	(32,810)
<b>Profit after taxation for the period, before transactions with unitholders</b>		<b>48,087</b>	3,464
– Profit attributable to unitholders		<b>46,803</b>	1,081
– Profit attributable to non-controlling interests		<b>1,284</b>	2,383
		<b>48,087</b>	3,464

The notes on pages 33 to 66 are an integral part of the condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Attributable to			
	Unitholders before transactions with unitholders (Unaudited) RMB'000	Transactions with unitholders (Note (i)) (Unaudited) RMB'000	Unitholders after transactions with unitholders (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000
Profit for the six months ended 30 June 2016	1,081	(1,081)	–	2,383
Other comprehensive income	–	–	–	–
Total comprehensive income for the six months ended 30 June 2016 (Note (ii))	<u>1,081</u>	<u>(1,081)</u>	<u>–</u>	<u>2,383</u>
Profit for the six months ended 30 June 2017	<b>46,803</b>	<b>(52,284)</b>	<b>(5,481)</b>	<b>1,284</b>
Other comprehensive income				
Item that may be reclassified subsequently to consolidated income statement:				
Exchange gains on translation of financial statements	<u>5,481</u>	<u>–</u>	<u>5,481</u>	<u>–</u>
Total comprehensive income for the six months ended 30 June 2017 (Note (ii))	<u><b>52,284</b></u>	<u><b>(52,284)</b></u>	<u><b>–</b></u>	<u><b>1,284</b></u>

## Notes:

- (i) Transactions with unitholders comprises total profit and other comprehensive income attributable to unitholders for the period.
- (ii) In accordance with the trust deed dated 10 June 2013 and as amended by the supplemental trust deeds dated 20 June 2013 and 15 June 2015 (the “Trust Deed”), New Century Real Estate Investment Trust (the “New Century REIT”) is required to distribute to unitholders not less than 90% of total distributable income for each financial period. Accordingly, the units contain contractual obligations of the trust to pay cash distributions and also upon termination of the trust, to share all net cash proceeds derived from the sales on realisation of the assets of the trust less any liabilities, in accordance with their proportionate interests in the trust at the date of the termination. The unitholders’ funds are therefore classified as a financial liability rather than equity in accordance with International Financial Reporting Standards issued by International Accounting Standards Board. Consistent with unitholders’ funds being classified as a financial liability, the distribution to unitholders and change in net assets attributable to unitholders, excluding issuance of new units and transactions with controlling shareholders, are part of finance costs.

The notes on pages 33 to 66 are an integral part of the condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

		Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	13	–	1
Investment properties	14	4,799,929	5,656,334
Goodwill	15	7,987	7,987
Other long-term assets	16	9,930	11,230
		<u>4,817,846</u>	<u>5,675,552</u>
<b>Current assets</b>			
Trade and other receivables and prepayments	17	14,943	4,751
Amounts due from related parties	28 (c)	22,379	40,755
Derivative financial instruments	19	18,301	21,788
Restricted cash	18	283,204	250,883
Cash and cash equivalents	18	496,137	202,592
		<u>834,964</u>	<u>520,769</u>
<b>Total Assets</b>		<u>5,652,810</u>	<u>6,196,321</u>
<b>Current liabilities</b>			
Trade and other payables	20	34,339	41,645
Amounts due to related parties	28 (c)	63,334	108,682
Current income tax liabilities		13,634	20,290
Derivative financial instruments	19	17,269	1,521
Deferred income	21	2,526	2,669
Borrowings	22	334,404	603,781
		<u>465,506</u>	<u>778,588</u>
<b>Non-current liabilities, other than net assets attributable to unitholders</b>			
Borrowings	22	1,822,335	1,933,327
Loan from a related party	28 (c)	106,044	106,044
Deferred income tax liabilities	23	868,311	977,023
		<u>2,796,690</u>	<u>3,016,394</u>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

		Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
	Notes		
<b>Total liabilities, other than net assets attributable to unitholders</b>		<b>3,262,196</b>	3,794,982
Net assets attributable to unitholders	24	<u><b>2,359,088</b></u>	<u>2,371,097</u>
<b>Total liabilities</b>		<u><b>5,621,284</b></u>	<u>6,166,079</u>
<b>Net assets</b>		<u><b>31,526</b></u>	<u>30,242</u>
Non-controlling interests		<u><b>31,526</b></u>	<u>30,242</u>
<b>Total equity</b>		<u><b>31,526</b></u>	<u>30,242</u>
<b>Net current assets/(liabilities)</b>		<u><b>369,458</b></u>	<u>(257,819)</u>
<b>Total assets less current liabilities</b>		<u><b>5,187,304</b></u>	<u>5,417,733</u>
<b>Units in issue ('000)</b>	24	<u><b>958,501</b></u>	<u>951,301</u>
<b>Net assets attributable to unitholders per unit</b>	24	<u><b>RMB2.4612</b></u>	<u>RMB2.4925</u>

The notes on pages 33 to 66 are an integral part of the condensed consolidated interim financial information.

The condensed consolidated interim financial information on page 26 to 66 was approved by the board of directors of New Century Asset Management Limited (the "REIT Manager") on 23 August 2017 and were signed on its behalf.

**Jin Wenjie**  
Chairman

**Cheung Yat Ming**  
Executive Director

# DISTRIBUTION STATEMENT

For the six months ended 30 June 2017

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit attributable to unitholders</b>	<b>46,803</b>	1,081
Adjustments for the total distributable income:		
– Fair value change on investment properties attributable to unitholders	<b>(12,379)</b>	3,965
– Deferred taxation in respect of investment properties and tax losses attributable to unitholders	<b>13,712</b>	11,297
– Unrealised net foreign exchange (gains)/losses on financing activities	<b>(41,236)</b>	37,902
– Fair value losses/(gains) on derivative financial instruments	<b>19,223</b>	(1,640)
– REIT Manager fee payable in units in lieu of cash	–	12,895
– Amortisation of transaction costs of the bank borrowings	<b>19,483</b>	12,257
– Accumulated realised foreign exchange losses on the bank borrowings which were repaid during the period	<b>(46,338)</b>	–
– Accumulated realised fair value gains and deferred taxation on investment properties of the disposal group (Note 26(a))	<b>52,500</b>	–
<b>Distributable income for the period (i)</b>	<b>51,768</b>	<b>77,757</b>
<b>Interim distribution declared and to be paid (ii)</b>	<b>46,591</b>	77,757
Add: Special Distribution declared (iii)	<b>33,000</b>	–
<b>Total distribution to be paid</b>	<b>79,591</b>	<b>77,757</b>
<b>Distribution per unit (iii)</b>	<b>RMB0.0830</b>	<b>RMB0.0823</b>

Notes:

- (i) Under the terms of the Trust Deed, the total distributable income is the consolidated profit or loss after income tax attributable to unitholders adjusted to eliminate the effects of certain non-cash and other adjustments which have been recorded in the consolidated income statement for the relevant period.

In accordance with the Trust Deed, New Century REIT is required to distribute to unitholders not less than 90% of its total distributable income for each financial year.

- (ii) The REIT Manager has decided to distribute 90% of New Century REIT's total distributable income for the six months ended 30 June 2017 (For the six months ended 30 June 2016: 100%).
- (iii) A special distribution with total amount of RMB33,000,000 was declared and approved by board of directors of the REIT Manager on 23 August 2017 ("Special Distribution"). The distribution per unit of RMB0.0830 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB0.0823) is calculated by dividing total distribution to be paid to unitholders of RMB79,591,000 (for the six months ended 30 June 2016: RMB77,757,000) for the period by 958,500,829 (As at 30 June 2016: 945,215,252) units in issue (Note 24) as at 30 June 2017.

The notes on pages 33 to 66 are an integral part of the condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND CHANGES IN EQUITY

For the six months ended 30 June 2017

		Equity (Unaudited)	
	Notes	Net assets attributable to unitholders (Unaudited) RMB'000	Non-controlling interests RMB'000
			Total (Unaudited) RMB'000
<b>As at 1 January 2016</b>		2,386,721	26,469
Profit for period		1,081	2,383
Distributions paid to unitholders		(79,807)	–
Issuance of units		13,985	–
Units bought back for cancellation		(1,922)	–
<b>As at 30 June 2016</b>		<u>2,320,058</u>	<u>28,852</u>
<b>As at 1 January 2017</b>		<b>2,371,097</b>	<b>30,242</b>
Profit for period		<b>46,803</b>	<b>1,284</b>
Distributions paid to unitholders	24	<b>(79,497)</b>	–
Issuance of units	24	<b>15,204</b>	–
Exchange gains on translation of financial statements	24	<u><b>5,481</b></u>	<u>–</u>
<b>As at 30 June 2017</b>		<u><b>2,359,088</b></u>	<u><b>31,526</b></u>

The notes on pages 33 to 66 are an integral part of the condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations		<b>135,736</b>	149,627
Interest paid		<b>(53,299)</b>	(36,766)
Income tax paid		<b>(35,946)</b>	(31,405)
<b>Net cash generated from operating activities</b>		<b>46,491</b>	81,456
<b>Cash flows from investing activities</b>			
Proceeds from disposal of subsidiaries	26	<b>781,759</b>	–
Payment of deposit for the acquisition of Netherlands Hotel		<b>–</b>	(19,544)
Purchase of investment properties		<b>(928)</b>	(4,459)
<b>Net cash generated from/(used in) investing activities</b>		<b>780,831</b>	(24,003)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings, net of transaction cost	22	<b>123,890</b>	291,342
Proceeds from loan payable to a related party	28 (b)	<b>–</b>	25,518
Repayment of borrowings	22	<b>(557,418)</b>	(184,850)
Distributions paid to unitholders	24	<b>(79,497)</b>	(79,807)
Changes of restricted cash pledged for borrowings		<b>(32,321)</b>	(78,913)
Net proceeds from issuance of units	24	<b>15,204</b>	13,985
Units bought back for cancellation	24	<b>–</b>	(1,922)
Payment of agency fee for borrowings		<b>(2,299)</b>	(1,098)
<b>Net cash used in financing activities</b>		<b>(532,441)</b>	(15,745)
<b>Net increase in cash and cash equivalents</b>		<b>294,881</b>	41,708
Cash and cash equivalents at beginning of the period	18	<b>202,592</b>	63,151
Exchange (losses)/gains on cash and cash equivalents		<b>(1,336)</b>	266
<b>Cash and cash equivalent at end of the period</b>	18	<b>496,137</b>	105,125

The notes on pages 33 to 66 are an integral part of the condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 1 GENERAL INFORMATION

New Century REIT and its subsidiaries (together, the “**Group**”) are mainly engaged in the leasing of the hotel properties in Mainland China (“**China**”) and the Netherlands.

New Century REIT is a Hong Kong collective investment scheme constituted as a unit trust authorised under section 104 of the Securities and Futures Ordinance and was established under the Trust Deed made between the REIT Manager and DB Trustees (Hong Kong) Limited (the “**Trustee**”).

The address of the registered office of the REIT Manager is Unit 4706, 47th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

New Century REIT was listed on The Stock Exchange of Hong Kong Limited on 10 July 2013 (“**date of listing**”) and commenced its operation upon listing.

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), which is also the functional currency of New Century REIT. This condensed consolidated interim financial information has been approved for issue by the board of directors of the REIT Manager on 23 August 2017.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

## 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 3 ACCOUNTING POLICIES (CONTINUED)

### (i) New and amended standards and interpretations that have been issued and are effective for periods commencing on 1 January 2017

Amendments to IAS 12	Income taxes
Amendments to IAS 7	Statement of cash flows
Amendments to IFRS 12	Disclosure of interest in other entities

The adoption of these new and amended standards and interpretations has not had any significant effect on the accounting policies or results and financial position of the Group.

### (ii) New and amended standards that have been issued and are effective for periods commencing after 1 January 2017

		Effective date
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 financial instruments with IFRS 4 insurance contracts	1 January 2018
Amendment to IFRS 1	First time adoption of IFRS	1 January 2018
Amendment to IAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards on the financial statements of the Group in the initial application. The adoption of the above is not expected to have a material effect on the Group's operating results and financial position.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 4 ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since the year end.

### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017 and 31 December 2016.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.3 Fair value estimation (continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
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#### As at 30 June 2017 (unaudited)

##### Assets

##### Financial assets at fair value through profit or loss

Derivative financial instruments	<u>-</u>	<u>18,301</u>	<u>-</u>	<u>18,301</u>
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##### Liabilities

##### Financial liabilities at fair value through profit or loss

Derivative financial instruments	<u>-</u>	<u>17,269</u>	<u>-</u>	<u>17,269</u>
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	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
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#### As at 31 December 2016 (audited)

##### Assets

##### Financial assets at fair value through profit or loss

Derivative financial instruments	<u>-</u>	<u>21,788</u>	<u>-</u>	<u>21,788</u>
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##### Liabilities

##### Financial liabilities at fair value through profit or loss

Derivative financial instruments	<u>-</u>	<u>1,521</u>	<u>-</u>	<u>1,521</u>
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There were no transfers among Levels 1, 2 and 3 during the period.

There were no changes in valuation techniques during the period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.4 Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## 6 SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which has been identified as the senior executive management, in order to allocate resources to segments and to assess their performance.

The sole principal activity of the Group is the leasing of hotel properties. Geographically, the hotel properties are mainly located in China and the Netherlands. As the subsidiaries in the Netherlands do not meet the quantitative thresholds required by IFRS 8 for reportable segment, the senior executive management concludes that the Group has a single reportable segment and no further analysis for segment information is presented.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 7 REVENUE

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Rental income from Initial Hotel Properties (a)	103,856	105,527
Rental income from Shanghai Hotel (a)	18,088	22,380
Rental income from Kaifeng Hotel (a)	10,578	10,706
Rental income from Netherlands Hotel (a)	7,396	–
Other rental income (b)	17,738	18,642
	<b>157,656</b>	<b>157,255</b>

- (a) For the six months ended 30 June 2017, the Group received a minimum pro-rated base rent for all of the hotel properties including New Century Grand Hotel Hangzhou (杭州開元名都大酒店), New Century Hotel Xiaoshan Zhejiang (浙江開元蕭山賓館), New Century Grand Hotel Ningbo (寧波開元名都大酒店), New Century Grand Hotel Changchun (長春開元名都大酒店) and New Century Resort Qiandao Lake Hangzhou (杭州千島湖開元度假村) (collectively, the “**Initial Hotel Properties**”), Shanghai Songjiang New Century Grand Hotel (松江開元名都大酒店, the “**Shanghai Hotel**”), Kaifeng New Century Grand Hotel (開封開元名都大酒店, the “**Kaifeng Hotel**”) and Holiday Inn Eindhoven Hotel (the “**Netherlands Hotel**”) in a sum of RMB145,388,000 (before value-added taxes of RMB5,470,000) (2016: The rental income of RMB138,613,000 was derived from pro-rated base rent of RMB141,790,000 less value-added taxes of RMB3,177,000).

The rental income of Shanghai Hotel represented the rent for the period from 1 January 2017 to 1 June 2017, disposal date of Shanghai Hotel (Note 26).

- (b) Other rental income represents the rental income from the lease of commercial space, primarily office, shopping and recreational areas in hotel properties and was recognised on a straight-line basis over the periods of the respective leases.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 8 OPERATING EXPENSES

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
REIT Manager fee (Note 9, 28 (b))	18,197	12,895
Urban real estate and land use tax	11,123	11,771
Expenses incurred in connection with the disposal of subsidiaries (Note 26)	1,923	–
Legal and other professional fees	1,449	1,165
Auditor's remuneration	966	953
Business tax, surcharges and stamp duty	915	4,703
Trustee fee (Note 28 (b))	622	509
Valuation fees (Note 28 (b))	360	486
Travelling and communication expenses	30	29
Miscellaneous	703	519
Total operating expenses	36,288	33,030

## 9 REIT MANAGER FEE

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Base Fee	8,410	7,631
Variable Fee	5,401	5,264
Divestment Fee (Note 26)	4,386	–
	18,197	12,895

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 9 REIT MANAGER FEE (CONTINUED)

Pursuant to the Trust Deed, the REIT Manager is entitled to receive remuneration for its services as manager of New Century REIT, which is the aggregate of:

- a base fee (the “**Base Fee**”) of 0.3% per annum of the value of the deposited property as at each balance sheet date. Pursuant to the Trust Deed, the deposited property represents all the assets of New Century REIT, including all its authorised investments, for the time being and from time to time held or deemed to be held (including but not limited to through special purpose vehicles) upon the trusts of the Trust Deed and any interest arising on subscription monies from the issuance of units.
- a variable fee (the “**Variable Fee**”) of 4% per annum of net property income as defined in the Trust Deed.
- a divestment fee (the “**Divestment Fee**”) calculated by 0.5% of the sales price of any real estate disposed by New Century REIT.

The Base Fee, Variable Fee and Divestment Fee for the six months ended 30 June 2017 will be paid to the REIT Manager in the form of cash. (The Base Fee and Variable Fee for the six months ended 30 June 2016 were paid to the REIT Manager in the form of units based on the prevailing market price at the time of the issue of the units).

## 10 OTHER GAINS – NET

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Gains on disposal of subsidiaries (Note 26)	<b>24,147</b>	–
Government grants (a)	<b>9,968</b>	2,390
Net foreign exchange gains	<b>17</b>	70
Fair value (losses)/gains on derivative financial instruments (Note 19)	<b>(19,223)</b>	1,640
Others	<b>(403)</b>	(308)
	<b>14,506</b>	3,792

### (a) Government grants

Government grants mainly represented subsidy income from the government relating to costs and are recognised at their fair value over the period necessary to match them with the costs that they are intended to compensate.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 11 FINANCE EXPENSES – NET

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
<b>Finance income</b>		
– Interest income derived from bank deposits	2,240	2,078
– Realised net foreign exchange gains on financing activities	8,777	–
– Unrealised net foreign exchange gains on financing activities	41,236	–
	<u>52,253</u>	<u>2,078</u>
<b>Finance expenses</b>		
– Interest expense on bank and other borrowings	(46,890)	(40,395)
– Unrealised net foreign exchange losses on financing activities	–	(37,902)
– Realised net foreign exchange losses on financing activities	–	(247)
– Amortisation of transaction costs of the bank borrowings	(19,483)	(12,257)
– Agency fee	(1,016)	(1,098)
	<u>(67,389)</u>	<u>(91,899)</u>
<b>Finance expenses – net</b>	<u>(15,136)</u>	<u>(89,821)</u>

## 12 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
<b>Current income tax</b>		
– China corporate income tax	24,763	21,958
– Income tax incurred in connection with the disposal of subsidiaries (Note 26)	41,338	–
<b>Deferred income tax</b>		
– Corporate income tax (Note 23)	19,338	10,852
<b>Tax charged</b>	<u>85,439</u>	<u>32,810</u>

### (a) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5%. No Hong Kong profits tax has been provided for as the Group has no assessable profits in Hong Kong for the six months ended 30 June 2017 and 2016.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 12 INCOME TAX EXPENSE (CONTINUED)

### (b) Netherlands corporate income tax

Enterprises incorporated in the Netherlands are subject to income tax rate of 20% for the first EUR200,000 taxable income and 25% for the taxable income exceeds EUR200,000. No Netherlands corporate income tax has been provided for as the Netherlands subsidiary has no taxable income for the six months ended 30 June 2017.

### (c) Luxembourg corporate income tax

Enterprises incorporated in Luxembourg city are subject to income tax rate of 20% for the first EUR15,000 taxable income and 21% for the taxable income exceeds EUR15,000. Including solidarity surtax (7% on Corporate Income Tax) and Municipal Business Tax (6.75%), the total tax rate for Luxembourg city is 28.15% or 29.22%. No Luxembourg corporate income tax has been provided for as the Luxembourg subsidiary has no taxable income for the six months ended 30 June 2017.

### (d) China corporate income tax

Enterprises incorporated in China are subject to income tax rates of 25% for the six months ended 30 June 2017 and 2016.

The income tax provision of the Group in respect of its operations in China has been calculated at the applicable tax rate on the estimated assessable profits based on existing legislations, interpretations and practices.

### (e) China withholding income tax

Pursuant to China Corporate Income Tax Law, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in China in respect of their earnings generated from 1 January 2008.

No deferred income tax liabilities were recognised for the withholding taxes for the unremitted earnings of the subsidiaries incorporated in China before 1 July 2016, as the REIT Manager have resolved that the profit of the subsidiaries incorporated in China from the date of listing to 30 June 2016 will not be distributed in the future to the parent company outside China. The REIT Manager has resolved that the profit of subsidiaries incorporated in China from 1 January 2017 to 30 June 2017 will be distributed in the future to the parent company outside China. Hence, deferred income tax liabilities have been recognised for the withholding taxes that would be payable on the unremitted earnings of the subsidiaries incorporated in China from 1 January 2017 to 30 June 2017.

In addition, pursuant to China Corporate Income Tax Law, a 10% withholding tax is levied on the capital gains derived by a foreign investor on the equity transfer of its equity interests in a body corporate in China. The capital gains refer to the balance of the equity transfer price after deducting the cost of equity investment.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 13 PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles RMB'000	Unaudited Other equipment RMB'000	Total RMB'000
<b>As at 1 January 2017</b>			
Cost	-	1	1
Accumulated depreciation	-	-	-
Net book amount	-	1	1
<b>Six months ended 30 June 2017</b>			
Opening net book amount	-	1	1
Disposal of subsidiaries (Note 26)	-	(1)	(1)
Closing net book amount	-	-	-
<b>As at 30 June 2017</b>			
Cost and net book amount	-	-	-
<b>As at 1 January 2016 and 30 June 2016</b>			
Cost	565	1	566
Accumulated depreciation	(537)	-	(537)
Net book amount	28	1	29

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14 INVESTMENT PROPERTIES

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Investment properties	<b>4,799,929</b>	5,656,334

The investment properties of the Group are located in China and the Netherlands. The investment properties located in China are held on land use rights of 35 to 40 years and the investment property located in the Netherlands is with freehold interest.

	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
<b>At fair value</b>		
<b>Opening balance</b>	<b>5,656,334</b>	5,225,000
(Disposals)/Additions	<b>(1,111)</b>	1,922
Disposal of subsidiaries (Note 26)	<b>(880,000)</b>	–
Fair value gains/(losses) (a)	<b>12,788</b>	(1,922)
Exchange differences recognised in other comprehensive income	<b>11,918</b>	–
<b>Closing balance</b>	<b>4,799,929</b>	5,225,000

- (a) The independent valuations of the Group's investment properties in China and the Netherlands were performed by the valuers Savills Valuation and Professional Services Limited (As at 30 June 2016: the same with 2017) and Savills Consultancy B.V. (together, "Savills") respectively, where appropriate, to determine the fair value of the investment properties as at 30 June 2017.

As at 30 June 2017, bank borrowings are secured by the Initial Hotel Properties, the Kaifeng Hotel and the Netherlands Hotel with carrying amount of RMB4,799,929,000. (As at 31 December 2016: secured by the Initial Hotel Properties, the Kaifeng Hotel and the Netherlands Hotel with the carrying amount of RMB4,776,334,000) (Note 22).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14 INVESTMENT PROPERTIES (CONTINUED)

The fair value measurement information for these investment properties in accordance with IFRS13 are given below:

Description	Fair value measurements as at 30 June 2017 using		
	Quoted prices in	Significant other	Significant
	active markets for	observable inputs	unobservable inputs
	identical assets (Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000

Recurring fair value measurements

Investment properties:

- Initial Hotel Properties	-	-	4,161,000
- Kaifeng Hotel	-	-	430,000
- Netherlands Hotel	-	-	208,929
	-	-	4,799,929

Description	Fair value measurements as at 31 December 2016 using		
	Quoted prices in	Significant other	Significant
	active markets for	observable inputs	unobservable inputs
	identical assets (Level 1) RMB'000	(Level 2) RMB'000	(Level 3) RMB'000

Recurring fair value measurements

Investment properties:

- Initial Hotel Properties	-	-	4,150,000
- Shanghai Hotel	-	-	880,000
- Kaifeng Hotel	-	-	430,000
- Netherlands Hotel	-	-	196,334
	-	-	5,656,334

There were no transfers between Levels 1, 2 and 3 during the period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14 INVESTMENT PROPERTIES (CONTINUED)

Investment properties which have fair value measurement using significant unobservable inputs (Level 3):

	Unaudited		
	Six months ended 30 June 2017		
	China RMB'000	Netherlands RMB'000	Total RMB'000
<b>As at 1 January 2017</b>	<b>5,460,000</b>	<b>196,334</b>	<b>5,656,334</b>
Disposals	(1,111)	–	(1,111)
Disposal of subsidiaries (Note 26)	(880,000)	–	(880,000)
Fair value gains	12,111	677	12,788
Exchange differences recognised in other comprehensive income	–	11,918	11,918
<b>As at 30 June 2017</b>	<b>4,591,000</b>	<b>208,929</b>	<b>4,799,929</b>

	Unaudited		
	Six months ended 30 June 2016		
	China RMB'000	Netherlands RMB'000	Total RMB'000
<b>As at 1 January 2016</b>	<b>5,225,000</b>	<b>–</b>	<b>5,225,000</b>
Additions	1,922	–	1,922
Fair value losses	(1,922)	–	(1,922)
<b>As at 30 June 2016</b>	<b>5,225,000</b>	<b>–</b>	<b>5,225,000</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 14 INVESTMENT PROPERTIES (CONTINUED)

### Valuation techniques

- (a) For the Initial Hotel Properties, the Shanghai Hotel and the Kaifeng Hotel, the valuation was determined using discounted cash flow (“**DCF**”) approach based on significant unobservable inputs. These inputs include:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life;
Terminal growth rate	Taking into account assumptions regarding vacancy rates and market rents.

There were no changes to the valuation techniques for the Initial Hotel Properties, the Shanghai Hotel and the Kaifeng Hotel during the period.

- (b) For the Netherlands Hotel, the valuation was determined using income capitalisation approach (Core & Top Slice Method) based on significant unobservable inputs. These inputs include:

Capitalisation rate	Reflecting the nature, location and tenancy profile of the properties together with the current market investment criteria;
Rental income	Based on analysis of recent lettings and achievable rentals of the hotel properties and other benchmark performance derived from comparable hotel properties in the locality.

There were no changes to the valuation techniques for the Netherlands Hotel during the period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 15 GOODWILL

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Cost	7,987	7,987
Accumulated impairment	—	—
Net book amount	<u>7,987</u>	<u>7,987</u>

## 16 OTHER LONG-TERM ASSETS

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Fee paid for undrawn bank facilities	<u>9,930</u>	<u>11,230</u>

## 17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Trade receivables (a)	3,938	2,952
Other receivables	10,735	665
Prepayments	<u>270</u>	<u>1,134</u>
Trade and other receivables and prepayments – net	<u>14,943</u>	<u>4,751</u>

As at 30 June 2017 and 31 December 2016, the fair values of the trade and other receivables of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

- (a) As at 30 June 2017 and 31 December 2016, the trade receivables represent the rental income receivables from the lessees and were all within 30 days.

As at 30 June 2017 and 31 December 2016, all the trade receivables were pledged as collateral for the Group's bank borrowings (Note 22).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 18 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Cash at bank and on hand (a)	779,341	453,475
Less: Restricted cash (b)	(283,204)	(250,883)
Cash and cash equivalents	<u>496,137</u>	<u>202,592</u>

Cash and cash equivalents and restricted cash are denominated in the following currencies:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Cash at bank and in hand:		
– RMB	705,241	385,857
– USD	60,948	57,009
– HKD	247	315
– EUR	12,905	10,294
	<u>779,341</u>	<u>453,475</u>

- (a) All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.
- (b) Restricted cash represents guaranteed deposits held in reserve accounts pledged to the banks as security deposits under bank borrowing agreements (Note 22).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2017		Audited 31 December 2016	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Capped forward foreign exchange rate	-	17,075	-	-
Interest rate cap	-	194	-	248
Interest rate swaps	18,301	-	21,788	1,273
	<b>18,301</b>	<b>17,269</b>	<b>21,788</b>	<b>1,521</b>

The Group has entered into interest rate swaps, interest rate cap and capped forward foreign exchange contracts with commercial banks. The interest rate swaps have the economic effect of converting interest rate of borrowings from floating rates to fixed rates. The interest rate cap has the economic effect of keeping floating interest rate of borrowing within the cap rate. The capped forwards foreign exchange contracts have the economic effect of keeping exchange rate of USD against RMB within the cap rate. Nevertheless, the interest rate swaps, interest rate cap and capped forwards foreign exchange contracts were not accounted for as hedging instruments as the conditions for hedge accounting were not met during the six months ended 30 June 2017 and the year ended 31 December 2016. As at 30 June 2017, the notional principal amounts of the outstanding interest rate swaps was USD230,000,000 (As at 31 December 2016: USD290,000,000) and the fixed interest rate was 3.11% per annum (As at 31 December 2016: 3.11% to 3.7% per annum). As at 30 June 2017, the notional principal amount of the outstanding interest rate cap was EUR13,117,500 (As at 31 December 2016: EUR13,117,500) and the interest rate was capped at 4.4% (As at 31 December 2016: 4.4%). As at 30 June 2017, the notional principal amount of the outstanding capped forward foreign exchange contracts were USD120,000,000 (As at 31 December 2016: Nil) and the exchange rates were capped at 7.2 (As at 31 December 2016: Nil). Gains and losses arising from the fair value change of the interest rate swaps, interest rate cap and capped forward foreign exchange contracts were recognised in the interim condensed consolidated income statement in "Other gains – net" (Note 10).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 20 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Trade payables (a)	1,546	3,585
Other payables	9,235	7,956
Advances from customers	3,542	1,834
Interest payables	15,312	18,020
Accrued taxes other than income tax	3,773	9,221
Dividends payable	931	1,029
	<b>34,339</b>	<b>41,645</b>

(a) The aging analysis of the trade payables was as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Trade payables		
– Within 90 days	–	17
– Over 90 days and within 360 days	105	119
– Over 360 days and within 720 days	48	–
– Over 720 days	1,393	3,449
	<b>1,546</b>	<b>3,585</b>

As at 30 June 2017 and 31 December 2016, all trade and other payables of the Group were non-interest bearing. Their fair values approximate their carrying amounts due to their short maturities.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 21 DEFERRED INCOME

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Government grants relating to assets	<u>2,526</u>	<u>2,669</u>

Deferred income represents government grants relating to certain assets, which is deferred and recognised in the interim condensed consolidated income statement on a straight-line basis over the expected useful lives of the related assets. The movements of deferred income are as below:

	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Opening balance	2,669	–
Additions	–	2,812
Credited to the interim condensed consolidated income statement	<u>(143)</u>	<u>–</u>
Closing balance	<u>2,526</u>	<u>2,812</u>

## 22 BORROWINGS

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
<b>Non-current</b>		
Principal of bank borrowings – secured (a)	1,873,508	2,413,627
Less: Transaction costs	(46,617)	(63,818)
Current portion of non-current borrowings	<u>(4,556)</u>	<u>(416,482)</u>
	<u>1,822,335</u>	<u>1,933,327</u>
<b>Current</b>		
Loan from the disposal group	25,000	–
Bank borrowings – secured (a)	304,848	187,299
Current portion of non-current borrowings	<u>4,556</u>	<u>416,482</u>
	<u>334,404</u>	<u>603,781</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 22 BORROWINGS (CONTINUED)

Movements in borrowings are analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Opening balance</b>	<b>2,537,108</b>	2,034,939
Addition of borrowings from the disposal group (b)	<b>83,000</b>	–
Addition of bank borrowings – net	<b>123,890</b>	291,342
Repayment of borrowings	<b>(557,418)</b>	(184,850)
Amortisation using the effective interest method	<b>16,062</b>	10,958
Exchange translation reserve	<b>6,400</b>	–
Exchange (gains)/losses	<b>(52,303)</b>	38,168
<b>Closing balance</b>	<b>2,156,739</b>	2,190,557

The maturity of borrowings is as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
On demand or within 1 year	<b>334,404</b>	603,781
Between 1 and 2 years	<b>4,516</b>	3,904
Between 2 and 3 years	<b>1,705,761</b>	1,823,862
Over 3 years	<b>112,058</b>	105,561
	<b>2,156,739</b>	2,537,108

The Group had the following undrawn bank facilities:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
USD facilities		
– Expiring with 1 year	–	20,811
– Expiring beyond 1 year	<b>711,312</b>	832,440
	<b>711,312</b>	853,251

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 22 BORROWINGS (CONTINUED)

### (a) Bank borrowings – secured

Bank borrowings of the Group as at 30 June 2017 and 31 December 2016 are secured by the following:

- Investment properties (Note 14), bank deposits (Note 18) and trade receivables (Note 17 and Note 28 (c)) and guaranteed by 浙江開元酒店投資管理集團有限公司 (Zhejiang New Century Hotel Investment & Management Group Limited, “Zhejiang New Century Hotel”), Spearhead Investments Limited, Sky Town Investments Limited and New Century Europe I S.à.r.l., subsidiaries of the Group (As at 31 December 2016: same as at 30 June 2017);
- Equity interest of Zhejiang New Century Hotel, 浙江銳至投資股份有限公司 (Zhejiang Spearhead Investment Limited), 寧波開元銳至投資有限公司 (Ningbo New Century Spearhead Investment Limited), 長春開元銳至投資管理有限公司 (Changchun New Century Spearhead Investment and Management Limited), 淳安千島湖開元銳至投資有限公司 (Chun'an Qiandao Lake New Century Spearhead Investment Limited), 開封開元名都大酒店有限公司 (Kaifeng New Century Grand Hotel Limited), Spearhead Global Limited, Spearhead Investments Limited, Sky Town Investments Limited and New Century Netherlands I B.V., subsidiaries of the Group (As at 31 December 2016: Equity interest of Zhejiang New Century Hotel, Zhejiang Spearhead Investment Limited, Ningbo New Century Spearhead Investment Limited, Changchun New Century Spearhead Investment and Management Limited, Chun'an Qiandao Lake New Century Spearhead Investment Limited, Kaifeng New Century Grand Hotel Limited, Spearhead Global Limited, Spearhead Investments Limited, Sky Town Investments Limited, 麗水惠富酒店管理有限公司 (Lishui Full Wise Hotel Management Limited), Strong Tower Global Limited, Full Wise Industrial Limited and New Century Netherlands I B.V., subsidiaries of the Group).

### (b) Loan from the disposal group

It includes the borrowing due to Shanghai Songjiang Hui Wei Asset Management Co., Ltd. (上海松江輝維資產管理有限公司), the subsidiary of the disposal group (Note 26), for a period of one year with amount of RMB35,000,000 at an interest rate of 4.35% per annum. The borrowing was unsecured and will be due in December 2017. The related interest receivable of the disposal group on the disposal date is RMB258,000. The Group has repaid the principal amount of the borrowing of RMB10,000,000 and the interest in June 2017.

It also includes the borrowing due to Lishui Full Wise Hotel Management Limited (麗水惠富酒店管理有限公司), the target company of the disposal group (Note 26), for a period of two years with amount of RMB48,000,000 at an interest rate of 2.50% per annum. The borrowing was unsecured and will be due in August 2017. The related interest receivable of the disposal group on the disposal date is RMB2,103,000. The Group has fully repaid the loan and interest in June 2017.

## 23 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. The net deferred income tax balance after offsetting are as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	867,765	976,335
– to be recovered within 12 months	546	688
	<b>868,311</b>	<b>977,023</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 23 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES (CONTINUED)

The movements on the net deferred income tax liabilities are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Opening balance</b>	<b>977,023</b>	881,156
Charged to the interim condensed consolidated income statement (Note 12)	<b>19,338</b>	10,852
Payment	<b>(6,265)</b>	–
Disposal of subsidiaries (Note 26)	<b>(122,310)</b>	–
Charged to other comprehensive income – exchange reserve	<b>525</b>	–
<b>Closing balance</b>	<b>868,311</b>	892,008

Movements in deferred income tax assets and liabilities during the six months ended 30 June 2017 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

<b>Deferred income tax assets</b>	<b>Tax losses</b>	<b>Deferred Income</b>	<b>Derivative financial instruments</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Six months ended 30 June 2016</b>				
<b>As at 1 January 2016</b>	1,525	–	–	1,525
(Charged)/credited to the interim condensed consolidated income statement	(641)	704	–	63
<b>As at 30 June 2016</b>	<b>884</b>	<b>704</b>	<b>–</b>	<b>1,588</b>
<b>Six months ended 30 June 2017</b>				
<b>As at 1 January 2017</b>	<b>1,834</b>	<b>667</b>	<b>–</b>	<b>2,501</b>
(Charged)/credited to the interim condensed consolidated income statement	<b>(186)</b>	<b>(36)</b>	<b>47</b>	<b>(175)</b>
Credited to other comprehensive income – exchange reserve	<b>28</b>	<b>–</b>	<b>1</b>	<b>29</b>
<b>As at 30 June 2017</b>	<b>1,676</b>	<b>631</b>	<b>48</b>	<b>2,355</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 23 DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES (CONTINUED)

Deferred income tax liabilities	Difference between tax book and accounting book in respect of investment properties RMB'000	Amortisation of transaction cost for the bank borrowings RMB'000	Withholding tax in respect of unremitted earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
<b>Six months ended 30 June 2016</b>					
<b>As at 1 January 2016</b>	881,854	367	–	460	882,681
Charged/(credited) to the interim condensed consolidated income statement	11,196	(347)	–	66	10,915
<b>As at 30 June 2016</b>	<u>893,050</u>	<u>20</u>	<u>–</u>	<u>526</u>	<u>893,596</u>
<b>Six months ended 30 June 2017</b>					
<b>As at 1 January 2017</b>	971,100	1,442	6,265	717	979,524
Charged/(credited) to the interim condensed consolidated income statement	13,656	(582)	5,798	291	19,163
Payment	–	–	(6,265)	–	(6,265)
Disposal of subsidiaries (Note 26)	(122,242)	–	–	(68)	(122,310)
Charged to other comprehensive income – exchange reserve	543	11	–	–	554
<b>As at 30 June 2017</b>	<u>863,057</u>	<u>871</u>	<u>5,798</u>	<u>940</u>	<u>870,666</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 24 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
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Net assets attributable to unitholders	<b>2,359,088</b>	2,371,097
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As at 30 June 2017, the net assets attributable to unitholders per unit of RMB2.4612 is calculated by dividing the net assets attributable to unitholders of RMB2,359,088,000 by the number of unit in issue of 958,500,829 (As at 31 December 2016: the net assets attributable to unitholders per unit of RMB2.4925 is calculated by dividing the net assets attributable to unitholders of RMB2,371,097,000 by the number of units in issue of 951,301,342).

The movements on the net assets attributable to unitholders are as follows:

	Unaudited Six months ended 30 June 2016 Number of units	Net assets attributable to unitholders RMB'000
<b>Opening balance</b>	939,424,740	2,386,721
Issuance of units	6,698,512	13,985
Units bought back for cancellation	(908,000)	(1,922)
Profit for the period	—	1,081
Distribution paid to unitholders during the period	—	(79,807)
<b>Closing balance</b>	<b>945,215,252</b>	<b>2,320,058</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 24 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

	Unaudited Six months ended 30 June 2017	
	Number of units	Net assets attributable to unitholders RMB'000
<b>Opening balance</b>	<b>951,301,342</b>	<b>2,371,097</b>
Issuance of units (a)	7,199,487	15,204
Profit for the period	–	46,803
Distribution paid to unitholders during the period (b)	–	(79,497)
Exchange gains on translation of financial statements	–	5,481
<b>Closing balance</b>	<b>958,500,829</b>	<b>2,359,088</b>

(a) On 8 June 2017, 7,199,487 units were issued to the REIT Manager at an issue price of HK\$2.4207 per unit (equivalent to RMB15,204,000) as payment of REIT Manager fee for the six months ended 31 December 2016.

(b) The distribution with amount of RMB79,497,000 represents the final distribution for the period from 1 July 2016 to 31 December 2016, which was paid to the unitholders on 26 May 2017.

## 25 EARNINGS PER UNIT BASED UPON PROFIT AFTER INCOME TAX BEFORE TRANSACTIONS WITH UNITHOLDERS ATTRIBUTABLE TO UNITHOLDERS

Earnings per unit based upon profit after income tax before transactions with unitholders attributable to unitholders is calculated by dividing the profit after income tax before transaction with unitholders attributable to unitholders by the weighted average number of units in issue during the period.

	Unaudited Six months ended 30 June	
	2017	2016
Profit after income tax before transactions with unitholders attributable to unitholders (RMB'000)	<b>46,803</b>	1,081
Weighted average number of units in issue ('000)	<b>952,216</b>	940,515
Basic earnings per unit (RMB)	<b>0.0492</b>	0.0011

The diluted earnings per unit is the same as the basic earnings per unit as there were no diluted instruments in issue during the period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 26 DISPOSAL OF SUBSIDIARIES

On 1 June 2017 (the “**Disposal Date**”), New Century REIT disposed the entire registered capital of Lishui Full Wise Hotel Management Limited (together with its subsidiary as the “**Disposal Group**”), which owns the Shanghai Hotel. The following table summarises the consideration received and the carrying value of net assets disposed at the Disposal Date, as well as the net cash flow arising from the disposal. The difference between the carrying value of net assets disposed and the total consideration in relation to the disposal has been included in “Other gains – net” of the interim condensed consolidated income statement.

The expenses and income tax incurred in connection with the disposal have been charged to the “Operating expenses” and “Income tax expense” in the interim condensed consolidated income statement, with amount of RMB1,923,000 (Note 8) and RMB41,338,000 (Note 12) respectively.

The Divestment Fee to be paid to the REIT Manager and the Trustee with amounts of RMB4,386,000 (Note 9) and RMB62,000 respectively, have also been charged to the “Operating expenses” in the interim condensed consolidated income statement.

	<b>Carrying value RMB'000</b>
<b>Net assets of the Disposal Group at the Disposal Date</b>	
Investment property (Note 14)	880,000
Amounts due from related parties (Note 22(b))	91,332
Trade and other receivables and prepayments	527
Property, plant and equipment (Note 13)	1
Cash and cash equivalents	54,184
Amounts due to related parties	(47,575)
Trade and other payables	(1,287)
Current income tax liabilities	(1,738)
Deferred income tax liabilities (Note 23)	(122,310)
<b>Net assets disposed</b>	<b>853,134</b>
Gains on disposal of subsidiaries (Note 10)	24,147
Total consideration for the disposal satisfied by cash	<u>877,281</u>
Net cash inflow arising on the disposal:	
Cash consideration	877,281
The income tax incurred from the disposal which was withheld and paid by the buyer	(41,338)
Cash and cash equivalents in the Disposal Group	(54,184)
	<u>781,759</u>

- (a) The Disposal Group was acquired by New Century REIT on 31 July 2014, on which the fair value of the investment property held by the Disposal Group was amounted to RMB810,000,000. The accumulated fair value gains of investment property between 31 July 2014 and the Disposal Date with amount of RMB70,000,000 and the related deferred tax liabilities with amount of RMB17,500,000 were added back in the Distribution Statement for the six months ended 30 June 2017, as those items were all adjusted as unrealised gains in previous years' Distribution Statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 27 COMMITMENTS

### Capital commitments

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
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In respect of investment properties, contracted but not provided for	<b>449</b>	406
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## 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in the condensed consolidated interim financial information, the Group had the following material transactions with connected and related parties during the period:

### (a) Nature of relationship with connected/related parties

The table set forth below summarises the names of the connected/related parties and nature of their relationship with the Group as at 30 June 2017.

Connected/related party	Relationship with the Group
Chen Miaolin, Chen Canrong, Kong Weiliang and Zhang Guanming	Controlling Shareholders and significant holders of New Century REIT
Huge Harvest International Limited	Significant unitholder of New Century REIT
New Century Tourism Group Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century Real Estate Group Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century International Tourism Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century Zhijiang Cleaning Chain Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century Decorating Limited	Associated corporation of significant holders of New Century REIT
Deqing New Century Senbo Holiday Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century Senbo Tourism Investment Limited	Associated corporation of significant holders of New Century REIT
Hangzhou New Century Information System Engineering Limited	Associated corporation of significant holders of New Century REIT
Hangzhou Zhirong Trading Limited	Associated corporation of significant holders of New Century REIT
Shanghai New Century Enterprise Operation Management Limited	Associated corporation of family member of significant holders of New Century REIT
Zhejiang New Century Hotel Management Limited and other members of its group (collectively the "Hotel Group")	Associated corporation of significant holders of New Century REIT
Shanghai Songjiang New Century Grand Hotel Limited	Associated corporation of significant holders of New Century REIT
New Century Grand Hotel Kaifeng Management Company Limited	Associated corporation of significant holders of New Century REIT
Celestial Gate Limited	Associated corporation of significant holders of New Century REIT
The REIT Manager	The manager of New Century REIT
The Trustee	The trustee of New Century REIT
The Savills	The current principal valuer of New Century REIT
DTZ Debenham Tie Leung Limited (the "DTZ")	The former principal valuer of New Century REIT

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (b) Transactions with connected/related parties

#### *Rental income received/receivable from:*

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
The Hotel Group	109,132	108,904
Shanghai Songjiang New Century Grand Hotel Limited	18,992	22,790
New Century Grand Hotel Kaifeng Management Company Limited	11,000	11,000
Shanghai New Century Enterprise Operation Management Limited	2,706	3,087
New Century Tourism Group Limited	999	970
Hangzhou New Century Real Estate Group Limited	931	904
Hangzhou New Century Senbo Tourism Investment Limited	180	—
Hangzhou New Century International Tourism Limited	93	129
Hangzhou New Century Zhijiang Cleaning Chain Limited	66	64
Hangzhou New Century Decorating Limited	61	59
Hangzhou New Century Information System Engineering Limited	27	27
Deqing New Century Senbo Holiday Limited	—	175
	<u>144,187</u>	<u>148,109</u>

#### *Rental deposit received from related parties:*

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
The Hotel Group	469	—
Hangzhou New Century Senbo Tourism Investment Limited	67	—
	<u>536</u>	<u>—</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (b) Transactions with connected/related parties (continued)

#### Loans borrowed from related parties:

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Huge Harvest International Limited (i)	–	25,518

(i) This refers to a related party's loan of EUR3,460,000 (equivalent to RMB25,518,000) from Huge Harvest International Limited during the period for a term of 1 year. This related party's loan was unsecured and interest-free.

#### Other connected party transactions:

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
REIT Manager fee paid/payable to the REIT Manager	18,197	12,895
Interest expense paid to Celestial Gate Limited (iii)	2,849	–
Trustee fee paid/payable to the Trustee	622	509
Valuation fee paid/payable to Savills	390	248
Valuation fee paid/payable to DTZ	–	238
	<b>22,058</b>	<b>13,890</b>

### (c) Balances with connected/related parties as at 30 June 2017 and 31 December 2016:

#### Trade receivables due from:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
The Hotel Group	19,744	30,898
New Century Grand Hotel Kaifeng Management Company Limited	2,604	4,235
Shanghai Songjiang New Century Grand Hotel Limited	–	5,591
	<b>22,348</b>	<b>40,724</b>

As at 30 June 2017 and 31 December 2016, all the trade receivables due from related parties were pledged as collateral for the Group's bank borrowings (Note 22).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with connected/related parties as at 30 June 2017 and 31 December 2016 (continued):

### *Other receivables due from:*

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
REIT Manager	<u>31</u>	<u>31</u>

### *Trade payables due to:*

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Hangzhou New Century Decorating Limited	<u>11</u>	<u>11</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with connected/related parties as at 30 June 2017 and 31 December 2016 (continued):

### Other payables due to:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
New Century Grand Hotel Kaifeng Management Company Limited	22,000	22,000
The Hotel Group	20,903	20,434
The REIT Manager	17,955	15,204
New Century Tourism Group Limited	466	466
Hangzhou New Century Real Estate Group Limited	434	434
Hangzhou New Century Senbo Tourism Investment Limited	67	–
Hangzhou New Century International Tourism Limited	65	65
Hangzhou New Century Zhijiang Cleaning Chain Limited	34	34
Hangzhou New Century Decorating Limited	31	31
Hangzhou New Century Information System Engineering Limited	13	13
Shanghai Songjiang New Century Grand Hotel Limited	–	45,581
Shanghai New Century Enterprise Operation Management Limited	–	1,475
Deqing New Century Senbo Holiday Limited	–	84
The Trustee (ii)	665	659
Savills (ii)	375	456
	<b>63,008</b>	<b>106,936</b>

(ii) Other payables due to the Trustee and Savills are recorded in "Trade and other payables" of the interim condensed consolidated balance sheet.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with connected/related parties as at 30 June 2017 and 31 December 2016 (continued):

### ***Borrowings and interest payable due to:***

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Celestial Gate Limited (iii)	<u>106,999</u>	<u>108,339</u>

(iii) As at 30 June 2017, borrowings and interest payable due to Celestial Gate Limited included a related party's loan of RMB106,044,000 (As at 31 December 2016: RMB106,044,000) and interest payable of RMB955,000 (As at 31 December 2016: RMB2,295,000). The related party's loan of RMB106,044,000 will be due in 2022 and is recorded as non-current liability.

### ***Advances from customers:***

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
The Hotel Group	174	–
Hangzhou New Century Real Estate Group Limited	155	–
Hangzhou Zhirong Trading Limited	30	–
Hangzhou New Century International Tourism Limited	15	15
Hangzhou New Century Zhijiang Cleaning Chain Limited	11	11
Hangzhou New Century Decorating Limited	10	10
Hangzhou New Century Information System Engineering Limited	5	–
Shanghai New Century Enterprise Operation Management Limited	–	519
	<u>400</u>	<u>555</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

## 28 CONNECTED PARTY TRANSACTIONS AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (d) Key management compensation

There was no key management compensation for the six months ended 30 June 2017 and 2016.

### (e) Director's emoluments

No directors' emoluments were paid for or are payable by the Group for the six months ended 30 June 2017 and 2016.

## 29 FUTURE MINIMUM RENTAL RECEIVABLE

As at 30 June 2017, the Group has future minimum rental receivable under non-cancellable leases as follow:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Within one year	282,167	328,336
Between one year and five years	942,763	1,145,774
Over five years	480,989	702,313
	<b>1,705,919</b>	<b>2,176,423</b>

# PERFORMANCE TABLE

		(Unaudited) As at 30 June		
	2017	2016	2015	2014
Net assets attributable to Unitholders (RMB'000)	<b>2,359,088</b>	2,320,058	2,508,161	2,312,556
Net assets attributable to Unitholders per Unit (RMB)	<b>2.4612</b>	2.4545	2.6790	2.9807
(Equivalent to HK\$) (Note a)	<b>2.8358</b>	2.8718	3.3972	3.7550
The highest premium of the traded price to net assets attributable to Unitholders per Unit (%) (Note b)	<b>N/A</b>	4.46%	N/A	3.86%
The highest discount of the traded price to net assets attributable to Unitholders per Unit (%) (Note b)	<b>24.54%</b>	24.09%	11.69%	13.45%
Distribution yield per Unit (including special distribution (if any)) (Note c)	<b>4.00%</b>	4.05%	3.52%	4.23%
Number of Units in issue (Units) at the end of the reporting period	<b>958,500,829</b>	945,215,252	936,217,873	775,840,504
Gearing ratio (Note d)	<b>41%</b>	40%	33%	28%
Gross liabilities as a percentage of gross assets (Note e)	<b>59%</b>	58%	51%	48%

## Notes:

a. Unless indicated otherwise, Hong Kong dollar amounts are based on an exchange rate of HK\$1=RMB0.8679 (2016: HK\$1=RMB0.8547) as at 30 June 2017.

b. The highest premium is calculated based on the Unit's highest traded price of HK\$2.55 (2016: HK\$3.00) on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2017. The highest discount is calculated based on the Unit's lowest traded price of HK\$2.14 (2016: HK\$2.18) on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2017.

As the Unit's highest traded price during the six months ended 30 June 2017 of HK\$2.55 was lower than the net assets attributable to Unitholders per Unit as at 30 June 2017, no premium of the highest traded price to net asset attributable to Unitholders per Unit was presented.

c. Distribution yield per Unit for the six months ended 30 June 2017 is calculated based on total distribution per Unit of RMB0.0830 (equivalent to HK\$0.0973) over the closing price of HK\$2.43 on 30 June 2017. Distribution yield per unit for the six months ended 30 June 2016 is calculated based on total distribution per Unit of RMB0.0823 (equivalent to HK\$0.0961) over the closing price of HK\$2.37 as at 30 June 2016.

d. Gearing ratio is calculated based on the total borrowings, comprising the bank and other borrowings excluding transaction costs and loan from a related party, over total assets as at the end of reporting period.

e. It is calculated based on total liabilities, excluding transaction costs on borrowings and net assets attributable to unitholders, over total assets at the end of reporting period.

# CORPORATE INFORMATION

## THE REIT MANAGER AND REGISTERED OFFICE

New Century Asset Management Limited  
Unit 4706, 47th Floor  
The Center, 99 Queen's Road Central  
Hong Kong  
Tel: (852) 2153 3588  
Fax: (852) 3488 6403

## BOARD OF DIRECTORS OF THE REIT MANAGER

JIN Wenjie  
*(Chairman and Non-executive Director)*  
*(appointed with effect from 23 May 2017)*  
CHEN Miaolin  
*(Chairman and Non-executive Director)*  
*(resigned with effect from 23 May 2017)*  
CHEUNG Yat Ming  
*(Chief Executive Officer and Executive Director)*  
ZHANG Guanming  
*(Non-executive Director)*  
TONG JinQuan  
*(Non-executive Director)*  
ANGELINI Giovanni  
*(Independent Non-executive Director)*  
YU Hon To, David  
*(Independent Non-executive Director)*  
HE Jianmin  
*(Independent Non-executive Director)*

## RESPONSIBLE OFFICERS OF THE REIT MANAGER

CHEUNG Yat Ming  
HO Wai Chu  
WAN Hui Yeung

## APPROVED PERSON OF THE REIT MANAGER

CHEUNG Yat Ming

## COMPANY SECRETARY OF THE REIT MANAGER

YU Hoi Zin

## TRUSTEE

DB Trustees (Hong Kong) Limited

## AUDITORS

PricewaterhouseCoopers

## PRINCIPAL VALUER

Savills Valuation and Professional Services Limited

## LEGAL ADVISOR

Dechert

## UNIT REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PROPERTY MANAGER

Zhejiang New Century Hotel Management Limited

## STOCK CODE

1275

## WEBSITE

[www.ncreit.com](http://www.ncreit.com)

# DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

ADR	average daily rate, which means room revenue divided by rooms in use.
Changchun New Century Grand	Changchun New Century Spearhead Investment and Management Limited* (長春開元銳至投資管理有限公司, previously 長春開元名都大酒店有限公司), a company incorporated in the PRC on 13 November 2007 and a wholly-owned subsidiary of New Century REIT.
Connected Person(s)	has the meaning ascribed to it in the REIT Code.
Director(s)	the director(s) of the REIT Manager.
Full Wise HK	Full Wise Industrial Limited (惠富實業有限公司), a company incorporated in Hong Kong on 20 September 2012 and a wholly-owned subsidiary of New Century REIT.
Gross Floor Area or GFA	means, in respect of a property, the gross floor area of that property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
Huge Harvest	Huge Harvest International Limited (浩豐國際有限公司), a company incorporated in the British Virgin Islands on 11 January 2008, 83.90%, 9.29% and 6.81% of its issued shares are ultimately owned by Mr. Chen Miaolin, Mr. Chen Canrong and Mr. Zhang Guanming, respectively as at 30 June 2017.
Kaifeng Hotel	New Century Grand Hotel Kaifeng (開封開元名都大酒店).
Lishui Full Wise	Lishui Full Wise Hotel Management Limited* (麗水惠富酒店管理有限公司, previously 麗水惠富商貿有限公司), a company incorporated in the PRC on 25 February 2013. (Note 1)
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented and/or otherwise modified from time to time.

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

New Century Europe	New Century Europe I S.à.r.l., a private limited liability company, incorporated on 20 May 2016 under the laws of Luxembourg and registered with the Luxembourgian trade register, a wholly-owned subsidiary of New Century REIT.
New Century Hotel Management	Zhejiang New Century Hotel Management Limited* (浙江開元酒店管理有限公司), a company incorporated in the PRC on 17 December 2008 and whose registered address is 18th Floor, 818 Shixin Zhong Road Beigan Street, Xiaoshan District, Hangzhou, PRC.
New Century Netherlands I	New Century Netherlands I B.V., previously known as Invesco HF 2 Eindhoven Hotel Investment B.V., a private company with limited liability incorporated in Amsterdam, the Netherlands, on 3 February 2012, a wholly owned subsidiary of New Century REIT.
New Century REIT Hong Kong I	New Century REIT Hong Kong I Limited, a company incorporated in Hong Kong on 3 August 2016, a wholly-owned subsidiary of New Century REIT.
New Century Tourism	New Century Tourism Group Limited* (開元旅業集團有限公司), a company incorporated in the PRC on 9 January 2001.
Ningbo New Century Grand	Ningbo New Century Spearhead Investment Limited* (寧波開元銳至投資有限公司, previously 寧波開元名都大酒店有限公司), a company incorporated in the PRC on 1 December 2004 and a wholly-owned subsidiary of New Century REIT.
Offering Circular	offering circular of New Century REIT dated 24 June 2013 and as supplemented on 29 June 2013.
PRC or China	the People's Republic of China, excluding, for this report only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region of the PRC and Taiwan.
Property Companies	Changchun New Century Grand, Zhejiang New Century Hotel, Ningbo New Century Grand, Qiandao Lake Resort, Xiaoshan Hotel Company, Kaifeng New Century Grand and New Century Netherlands I as at 30 June 2017.
Qiandao Lake Resort	Chun'an Qiandao Lake New Century Spearhead Investment Limited* (淳安千島湖開元銳至投資有限公司, previously 杭州千島湖開元度假村開發有限公司), a company incorporated in the PRC on 15 January 2001 and a wholly-owned subsidiary of New Century REIT.

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being or, for the purpose of the Trust Deed, including but not limited by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC from time to time.
SFC	the Securities and Futures Commission of Hong Kong.
SFO	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, supplemented or otherwise modified and the rules thereunder.
Shanghai Hotel	Songjiang New Century Grand Hotel Shanghai* (上海松江開元名都大酒店).
Shanghai Songjiang Hui Wei	Shanghai Songjiang Hui Wei Asset Management Limited* (上海松江輝維資產有限公司), a company incorporated in the PRC on 17 April 2013. (Note 1)
Significant Holder(s)	has the meaning ascribed to this term in the REIT Code.
Sky Town	Sky Town Investments Limited, a company incorporated in Hong Kong on 22 May 2007 and a wholly-owned subsidiary of New Century REIT.
Special Purpose Vehicle(s) or SPV(s)	the entities wholly or majority owned directly or indirectly by New Century REIT in accordance with the REIT Code through which New Century REIT holds or owns real estate, and as at 30 June 2017, including SPV (BVI), SPV (HK), Sky Town, Strong Tower, Full Wise HK, New Century REIT Hong Kong I, New Century Europe and the Property Companies.
SPV (BVI)	Spearhead Global Limited, a company incorporated in the British Virgin Islands on 8 March 2013 and a wholly-owned subsidiary of New Century REIT.
SPV (HK)	Spearhead Investments Limited (銳至投資有限公司), a company incorporated in Hong Kong on 25 March 2013 and a wholly-owned subsidiary of New Century REIT.
sq.m.	square meter.
Strong Tower	Strong Tower Global Limited, a company incorporated in the British Virgin Islands on 13 January 2014 and a wholly-owned subsidiary of New Century REIT.
substantial shareholder	has the meaning ascribed to this term under the Listing Rules.

## DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

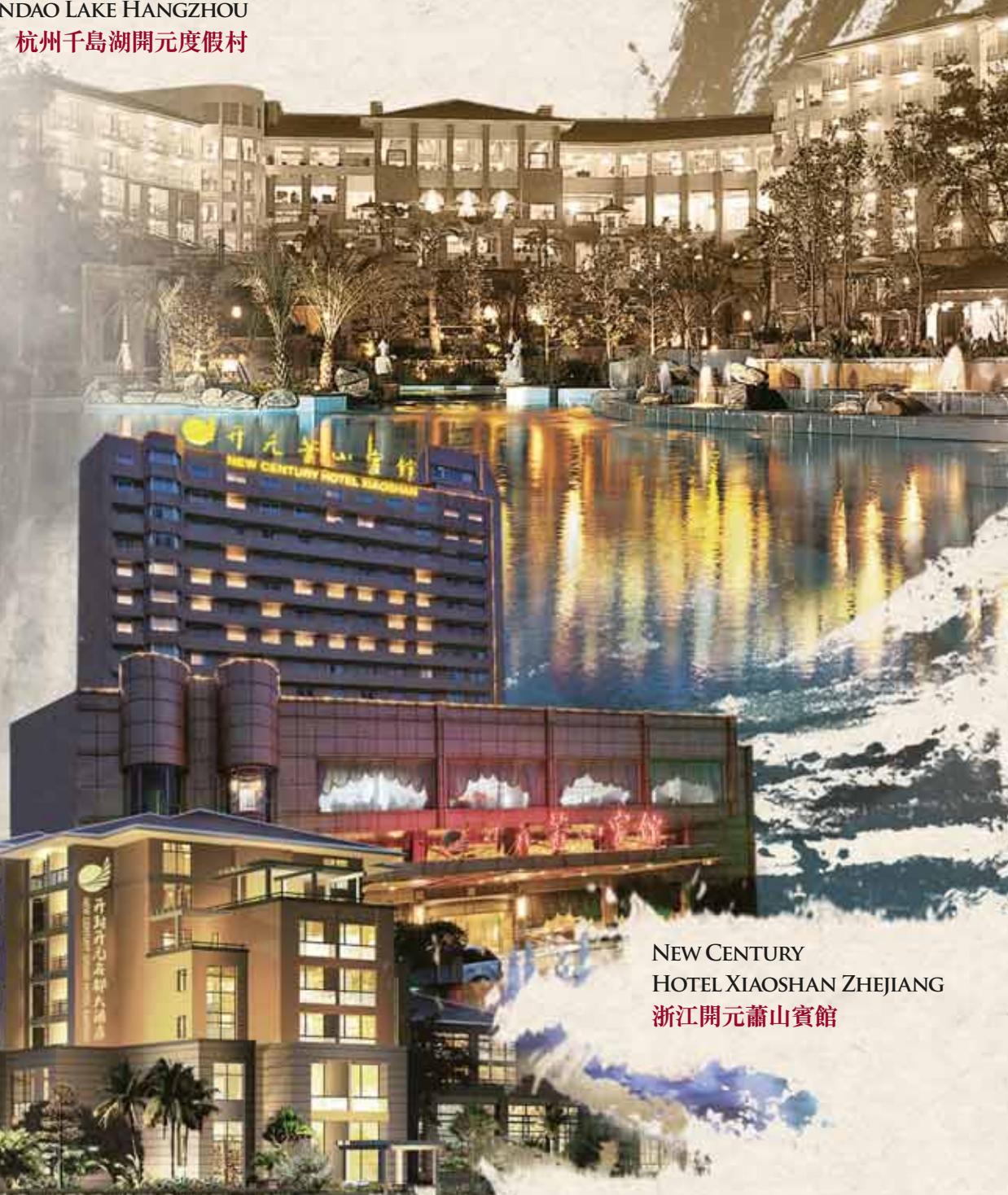
Trust Deed	the trust deed dated 10 June 2013 entered into between the Trustee and the REIT Manager constituting New Century REIT and as amended by the supplemental trust deed dated 20 June 2013 and the second supplemental trust deed dated 15 June 2015 (as may be further amended and supplemented from time to time).
Unit(s)	unit(s) of New Century REIT.
Unitholder(s)	holders of the Units from time to time.
Xiaoshan Hotel Company	Zhejiang Spearhead Investment Limited* (浙江銳至投資股份有限公司, previously 浙江蕭山賓館股份有限公司), a joint stock company (non-listed) incorporated in the PRC on 8 September 1994, which is approximately 95.46% owned by Zhejiang New Century Hotel, and approximately 4.54% owned by 29 independent third parties.
Zhejiang New Century Hotel	Zhejiang New Century Hotel Investment & Management Group Limited* (浙江開元酒店投資管理集團有限公司), a company incorporated in the PRC on 30 November 2001 and wholly-owned by New Century REIT.

*Note 1: Reference is made to the announcements of New Century REIT dated 24 March 2017, 28 April 2017, 2 June 2017 and 12 July 2017 respectively (the “**Announcements**”) and the circular of New Century REIT dated 13 April 2017 in relation to the major disposal of the Shanghai Hotel.*

*The entire registered capital of Lishui Full Wise was transferred from Full Wise HK to Hangzhou Industrial & Commercial Trust Co., Ltd. (杭州工商信託股份有限公司) with effect from 1 June 2017. Therefore, New Century REIT ceased to hold any interest in Lishui Full Wise and Shanghai Songjiang Hui Wei, and hence the Shanghai Hotel thereafter.*

*The English translation of company names in Chinese or another language which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” are for identification purposes only.*

NEW CENTURY RESORT  
QIANDAO LAKE HANGZHOU  
杭州千島湖開元度假村



NEW CENTURY  
HOTEL XIAOSHAN ZHEJIANG  
浙江開元蕭山賓館

NEW CENTURY  
GRAND HOTEL KAIFENG  
開封開元名都大酒店



**New Century Real Estate Investment Trust**

**開元產業投資信託基金**

(Stock code: 1275)